



## CHAKKILAM INFOTECH LIMITED

(Originally incorporated as Chakkilam Infotech Pvt. Ltd. on 3<sup>rd</sup> September, 1998 with Registrar of Companies, Andhra Pradesh and subsequently converted into a Public Limited Company on 31<sup>st</sup> January, 2000 vide Special Resolution Passed on 22<sup>nd</sup> January, 2000 in terms of Section 31 (1) / 44 of the Companies Act 1956)

**Registered Office:** Suit No(s) 106 & 107, 6-3-456/C, MGR Estates, Dwarakapuri Colony, Panjagutta, Hyderabad – 500 082; **Tel:** +91-40-23357904 & 907; **Fax:** +91-40-23353980;  
**Website:** www.chakkilaminc.com; **E-mail:** ipo@chakkilaminc.com

**INITIAL PUBLIC ISSUE OF 23,30,000 EQUITY SHARES OF Rs. 10/- EACH FOR CASH AT PAR AGGREGATING TO Rs. 2,33,00,000/-**

### RISKS IN RELATION TO FIRST PUBLIC ISSUE

This being the first issue of Equity Shares of Chakkilam Infotech Ltd. there has been no formal market for the Equity Shares of Chakkilam Infotech Ltd. The Issue price (as has been determined and justified by the lead manager and the Issuer company as stated under “Basis of Offer Price” on page 67 of the Prospectus) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding active or sustained trading in the shares of Chakkilam Infotech Ltd. nor regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, Investors must rely on their own examination of the issuer company and the issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.

**The attention of the investors is drawn to the statement of Risk Factors appearing on Page No. 3 of the Prospectus.**

### ISSUER’S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accept responsibility for, and confirm that this Prospectus contains all information with regard to the company whose equity shares are being issued and the issue which is material in the context of the issue, that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity shares of the Company are proposed to be listed on The Hyderabad Stock Exchange and the company has received its in-principle approval from the Stock Change vide its letter dated 23<sup>rd</sup> August 2003.

	<p><b>LEAD MANAGER TO THE ISSUE</b> <b>Aryaman Financial Services Ltd.</b> (SEBI Reg.No. INM 00000 6807) 503 B, 5<sup>th</sup> floor, Maheshwari Chambers, Somajiguda, Hyderabad Tel. No. 040-23326989 Fax No.040-23376046 Contact Person: Mr. Subrahmanyam D</p>		<p><b>REGISTRAR TO THE ISSUE</b> <b>Aarthi Consultants Pvt. Ltd.</b> (SEBI Reg.No. INM 00000 9926) D.No.; 1-2-285, Domalguda, Hyderabad Tel.No.040-27642217, 27634445 Fax No.040-27632184 Contact Person: Mr. Bhaskara Murthy</p>
--	---	--	---

**ISSUE OPENS ON: MONDAY , 12<sup>th</sup> JANUARY, 2004**

**ISSUE CLOSES ON: FRIDAY , 23<sup>rd</sup> JANUARY, 2004**

**TABLE OF CONTENTS**

<b>Particulars</b>	<b>Page No.</b>
Definitions / Abbreviations	<b>2</b>
Risk Factors And Management Perceptions Thereof	<b>3</b>
Highlights	<b>9</b>
<b>PART I</b>	
1. General Information	<b>10</b>
2. Capital Structure	<b>18</b>
3. Terms Of The Present Issue	<b>21</b>
4. Particulars Of The Issue	<b>35</b>
5. Company, Management & Project	<b>46</b>
6. Products & Services	<b>52</b>
7. Market & Demand	<b>60</b>
8. Management Discussion and Analysis of Financial Condition	<b>67</b>
9. Basis Of Issue Price	<b>69</b>
10. Litigation, disputes /defaults/Criminal Cases	<b>70</b>
<b>PART II</b>	
1. General Information	<b>77</b>
2. Financial Information	<b>80</b>
3. Statutory And Other Information	<b>83</b>
4. Main Provisions Of The Articles Of Association Of The Company	<b>85</b>
5. Material Contracts And Documents For Inspection.	<b>95</b>
<b>PART III</b>	
Declaration	<b>97</b>

**DEFINITIONS AND ABBREVIATIONS**

Application Form	The form in terms of which the investors shall apply for the Equity Shares of the Company
'The Offeror' or 'Chakkilam' or 'the Company' or "issuer"	Chakkilam Infotech Limited, a Public limited company incorporated under the Companies Act, 1956
Articles	Articles of Association of Chakkilam
Board	Board of Directors of Chakkilam or a Committee thereof
CDSL	Central Depository Services Limited
DP	Depository Participant
FY	Financial Year
GOI	Government of India
IT	Information Technology
I.T. Act	The Income-tax Act, 1961
Offer/Issue	Initial Public issue of 23,30,000 equity shares of Rs. 10/- each for cash at par aggregating to Rs. 2,33,00,000/-.
Memorandum	Memorandum of Association of Chakkilam
NRI(s)	Non-Resident Indian (s)
NSDL	National Securities Depository Limited
RBI	The Reserve Bank of India
Designated Stock Exchange	The Stock Exchange, Hyderabad
Registrars	Registrars to the Issue,
ROC	Registrar of Companies, Andhra Pradesh at Hyderabad
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (as amended)
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 Issued by SEBI read with Clarifications Issued from time to time
STPI	Software Technology Park of India
The Act	The Companies Act, 1956 (as amended from time to time)
Net worth	Aggregate of value of the Paid up Equity capital and Free Reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated

	losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
Retail individual investor	An investor who applies or bids for securities of or for a value of not more than Rs.50, 000/-.

## RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF

The investors should consider the following risk factors carefully in evaluating the Company and its business before making any investment decision. This Prospectus contains forward-looking statements that involve risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "continue", "plan", "likely" or other similar words. None of the Company, the Lead Manager or their respective affiliates has any obligation to update or otherwise revise any statements to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

### SPECIFIC TO THE PROJECT

#### 1. Risk envisaged by management

The Cost of the Project and the Means of Finance have not been appraised by any bank/financial institution and are based on the Company's own estimates.

#### Proposal To Address The Risk

The Management of the Company has drawn out a business plan for the activities to be pursued in the Software Technology and Development. The Company believes that it has professional expertise to assess the Cost of Project and implement the same.

#### 2. Risk envisaged by management

The working capital requirement has not been assessed by any Bankers.

#### Proposal To Address The Risk:

Since the company is not availing any working capital facilities, any Bank or Financial Institution does not assess the same.

#### 3. Risk envisaged by management

The deployment of funds collected through this issue will be at the sole discretion of the management of the company.

#### Proposal To Address The Risk:

The company has drawn out the business plan for which the project Cost and Means of Finance has been arrived and accordingly the funds would be deployed.

#### 4. Risk envisaged by management

This being the first Major venture of the promoters, the project suffers from all risks associated with such ventures.

#### Proposal To Address The Risk:

The Company is in operation since 1998 and the promoters have gained experience in its line of business and implementation of the projects.

#### 5. Risk envisaged by management

The proposed cost of the project includes Rs. 25.00 lacs towards foreign branch. This estimate is not approved by any bank or any other financial institution, but is based on company's own estimate.

**INTERNAL TO THE ISSUER COMPANY**

**1. Risk envisaged by management**

The Company is promoted by first generation entrepreneurs and is a relatively new entrant into the software field.

**Proposal To Address The Risk:**

The Board of the Company comprises of Professionals drawn from computer software fields and possesses commendable experience. The senior management of the Company also possesses the requisite experience in the software industry. The Company has also appointed experienced and talented staff in middle and lower levels of management.

**2. Risk envisaged by management**

Non-fulfillment of export obligation in accordance with the stipulations imposed as part of STPI registration may have an adverse impact on the company's financials.

**Proposal To Address The Risk:**

The Company does not foresee any difficulty in achieving the export obligations, since it has overseas market tie-ups, which has been disclosed on page no. 11 of this document.

**3. Risk envisaged by management**

TTI Chakkilam Typesetting Pvt. Ltd. and the Company is engaged in the similar business relating to Type setting

**Proposal To Address The Risk:**

TTI Chakkilam Typesetting is into the business of e-publishing and it gets its business basically from TTI Typesetting Inc., U.S.A. , whereas the Issuer, Chakkilam Infotech Limited, is in software development, GIS & CAD IT enabled services etc., and sources its business from all over the world.

**4. Risk envisaged by management**

The Company does not have any quality certification for the IT enabled services being undertaken.

**Proposal To Address The Risk:**

The company has obtained ISO 9001-2000 certificate for the product it has developed and the company on the basis of preset quality standards mentioned in the contract obtains the BPO services orders.

**5. Risk envisaged by management**

The company is yet to get its premises registered in its name.

**Proposal To Address The Risk:**

The Vendor has obtained necessary clearances from the Income Tax Department and now the company is in the process of registering the premises in its name.

**6. Risk envisaged by management**

The Company's success depends upon senior management personnel. Loss of such management personnel could have a materially adverse impact on the business and financial performance of the Company.

**Proposal To Address The Risk:**

The Company has well laid HR policies. The Company is providing perquisites, incentives and various facilities, which are competitive in the industry. The Company has drawn-out Employee Stock Option plans to reward key performers.

**7. Risk envisaged by management**

The Company bought premises for Software Development Division from Smt C Durga, who is the wife of Director/ Promoter, Mr. C. Sudhakar and another from Chakkilam Constructions Pvt. Ltd., which is one of the group Companies.

**Proposal To Address The Risk:**

The properties were located at strategic market locations and the Company acquired them at the prevailing market rates.

**8. Risk envisaged by management**

The company's present activity involves transmission of data through Internet. Security issue poses a risk factor.

**Proposal To Address The Risk:**

The data transmission through Internet is through FTP code and hence, no security risk is involved.

**9. Risk envisaged by management**

Selection, recruitment and retention of skilled high quality manpower are crucial for the success of the Company.

**Proposal To Address The Risk:**

The Company has recruited certain key personnel and will be recruiting other key personnel at required time since it is not difficult to get skilled manpower at Hyderabad.

**10. Risk envisaged by management**

The company has entered into an agreement with KR Softnet System Limited on 17-8-2001 for software development and marketing of software projects. So far no progress has been made by KR Softnet System Limited towards achieving any of the objects mentioned in the Business Agreement.

**11. Risk envisaged by Management**

**The Products developed by the Company are not Copy Right protected**

**Proposal to Address to the Risk:**

The Company is engaged in providing Software and Hardware Solutions to its clients and has not marketed the solutions as products to any other customers. However in the event of marketing any solutions as products suitable action will be taken for protection by registering the copyright

**12. Risk envisaged by Management**

Company's operations involve transmission of data through Internet and there is a risk of security in such transmission

**Proposal to Address to the Risk:**

Although there exists risk of security in the transmission of data, the company is confident of combating the same with latest technologies

**13. Risk envisaged by Management**

There are no standard valuation methodologies or accounting practices in the emerging internet/media related industries. The financial of the issuer is not comparable with the players in the industry.

**Proposal to Address to the Risk:**

The Company has followed consistent standard of accounting practices, which are being and audited by statutory auditors

**14. Risk envisaged by Management**

The company is dependent on few customers for its business, which may have material adverse effect on it.

**Proposal to Address to the Risk:**

The Company has started identifying the key areas of market and to have better market potential to increase customer base

**15. Risk envisaged by Management**

The valuations in the Software/ IT Industry are presently high and may not be sustained in future and may also not be reflective of future valuation for the industry.

**Proposal to Address to the Risk:**

The Government of India has identified software Industry as a major thrust area for Exports and incentives are being provided to encourage this industry. Hence it is very unlikely that the Government would initiate any policy, which could be detrimental to the growth of this sector. Further, changes in custom duty structure will not have a significant impact on the company since the company has a natural hedge against foreign exchange fluctuations, to the extent of earning in foreign currency

**16. Risk envisaged by Management**

The Company has not earmarked the office space, its type and people who will be posted at international offices.

**Proposal to Address to the Risk:**

The Company has plans to set up International offices at US. The Company is not foreseeing any difficulty in taking office spaces on lease in the said Countries. The company has discussed the opportunities for people in international offices. Most of these people are local residents of US and they are gainfully employed at present. They have seen our product, understand our technology and believe there is opportunity for these products in the said regions. When the funding is completed the company will make offers to suitable and appropriate candidates.

**17. Risk envisaged by Management**

The promoters have no prior experience in the proposed project. The entire project has to depend on the Key management personnel and the Company may suffer due to the lack availability or turnover of key management personnel.

**Proposal to Address to the Risk:**

The Hipaa product concept is a new concept and it is taking shape recently and also promoters and key managerial personnel are highly skilled and experienced and having decade experience in this sector. Hence, the issuer company doesn't foresee any problems in future.

**18. Risk envisaged by Management**

For the Financial year ended 31<sup>st</sup> March 2003, the total turn over of Rs.325.09 lacs, out of that the company has receivables of Rs. 276.09 lacs, which are outstanding.

**Proposal to Address to the Risk:**

The issuer Company has made efforts to realize the outstanding receivables and have received commitments from some of the Customers.

**19. Risk envisaged by Management**

The issuer company has taken necessary quotations and not yet made any orders

**Proposal to Address to the Risk:**

Since, the issuer Company has taken necessary quotations and has finalized the supplier and the supplier has confirmed to issuer company, once the orders taken place, with in a weeks time will arrange the machinery. The issuer company does not foresee any problem.

**EXTERNAL AND BEYOND THE CONTROL OF ISSUER COMPANY**

**1. Risk envisaged by management**

Any adverse change in government policies in relation to software industry may affect the performance and profitability of the Company.

**Proposal To Address The Risk:**

Government of India has identified software industry as a thrust area and incentives are being provided to encourage the industry. Hence the Company does not foresee any adverse policy changes in the near future that could be detrimental to its growth.

**2. Risk envisaged by management**

The IT industry is prone to high risk of technological obsolescence.

**Proposal To Address The Risk**

The company has geared up to face the rapid changes in technology under the guidance of the Board from time to time.

**3. Risk envisaged by management**

The Company may face competition from established Companies and future entrants in the industry.

**Proposal To Address The Risk:**

We consider ourselves as different from regular software Development Company since we are mainly focused into product development catering to very niche areas like HIPAA, health care, banking and financial services. We produce generic solutions, which can be customized to end user needs. Also traditionally, the Indian IT sector has shied away from product development and keeping out of this august circle. Through our consistent implementation of ISO policies & procedures we are confident of facing competition on the global products scenario and create waves! Also our time tested solutions and our successful track record with international clients will see us through the competition and make us beyond the reach of new entrants

**4. Risk envisaged by management**

Any fluctuation in the Foreign Exchange rates may have an impact on the financials of the Company.

**Proposal To Address The Risk**

Since the company is 100% EOU registered with STPI and all its revenues to be in foreign exchange, the fluctuation of exchange rate shall and mutually be balanced thereby.

**5. Risk envisaged by management**

Software Companies basically dealing with medical transcription, web related software development etc., are increasing in number substantially. The number of companies who are planning to enter this field or are in various stages in setting up is quite large and accurate information is not available. if all these projects materialise, there is a chance for supply out stripping demand resulting in closure of weaker units and consolidation by merger and acquisition.

**Proposal To Address The Risk**

Issuer Company with high degree of commitment to deliver quality solutions on time. Issuer Company ISO 9001:2000 certified for our work in the fields of product development and IT enabled services and mainly focused in high value, global products marketplace catering to very niche areas including HIPAA, health care, banking and e Publishing, GIS/CAD services. Issuer Company provides solutions of world-class standards, which can be customized to end user needs. Since there aren't many players in this august circle we hope to create impact and steer through the stiff competition. Due to our consistent implementation of ISO policies & procedures we are confident of emerging as major player on the global products scenario and succeed in realizing our Return on Investment (ROI) quickly.

**6. Risk envisaged by management**

The Company's performance would be effected by the industrial slump and overall economic slow-down in the short term.

**Proposal To Address The Risk**

To start with if we go by recent market surveys and NASSCOM news lines BPO and software sectors are ever growing and India is at advantage of becoming world's IT hub. Hence we don't see such risk in the near future. Even otherwise since we are diversified into many different areas of IT we don't see any major risk due to industrial slump. Also because we are catering to the needs of both domestic and international markets, we are confident of generating good revenues through either software products or services even in case of economic slow down

## **7. Risk envisaged by Management**

The Company's future success depends on achieving continuously evolving international quality standards.

### **Proposal to Address to the Risk:**

We are committed to deliver quality solutions meeting international standards in every sphere of IT. As part of our ISO quality policy we continuously evolve our procedures and practices to improve quality standards in every project we execute & deliver.

### **Notes to Risk Factors**

- 1) The Net Worth of the company before the Issue as on 31.03.2003 (as per the latest Audited Balance sheet) is Rs.818.23 lacs and the Public Issue size aggregates to Rs.233.00 lacs.
- 2) Cost per share to the Promoters is Rs.10 /- and Book Value share 11.74 as on 31.03.2003
- 3) Except as stated elsewhere in the is Prospectus, no amount or benefit has been paid or given by the company or indicated to be paid or given to the promoters or any other directors save as normal remuneration for services rendered as directors and other expenses incurred in the normal course of business.
- 4) The Company has bought premises from Chakkilam Constructions Private Limited, which is also a promoter.
- 5) Other ventures of the Company having business interest in the issuer Company—Chakkilam Constructions Private Limited which is a promoter, having share holding of Rs. 1,48,00,000/- in the Issuer company, is also vendor of the registered office premises worth Rs. 1,25,00,000/-.
- 6) There are no subsidiaries and no transactions with the group companies other than those disclosed in this Prospectus.
- 7) No Loans and Advances were made to any persons or companies in which Directors are interested other than those disclosed in this Prospectus.

### **NOTES:**

- 1) **The investors are advised to refer to the para on “Basis for Offer price” before making on investment in this Issue**
- 2) **Investors may note that in case of over subscription allotment shall be made on proportionate basis in consultation with the designated stock exchange.**
- 3) **The investors are requested to note that the trading in Securities of this company further to listing will be in dematerialised form only.**
- 4) **Please read this Initial Public Issue Document and the instructions contained herein carefully before taking any action. The instructions contained in the accompanying Application Form are an integral part of the conditions of this Initial Public Issue Document and must be carefully followed, failing which; the application is liable to be rejected.**
- 5) **All enquiries in connection with the Initial Public Issue Document or the accompanying Application Form should be addressed to the Registrars to the Issue: Aarthi Consultants Pvt. Ltd., (Unit: Chakkilam Infotech Ltd,) quoting the name of the first/sole applicant and Application Serial Number as mentioned in the Application Form.**
- 6) **The Issuers /Company accept no responsibility for the statements made otherwise than in the Initial Public Issue Document or in the advertisement or any other material Issued by or at the instance of the Issuers and that anyone placing reliance on any other source of information, would be doing so at his own risk.**
- 7) **The Issuers / Company accept full responsibility for the accuracy of the information given in this Initial Public Issue Document and confirm that to the best of their knowledge and belief, there are no other facts, the omission of which make any statement in this Initial Public Issue Document misleading, and they further confirm that they have made all reasonable inquiries to ascertain such facts.**

*Investors may note that in case of over - subscription allocation shall be on proportionate basis and will be finalised in consultation with The Hyderabad Stock Exchange (The Designated Stock Exchange). If the Issue is oversubscribed the Executive Director / Managing Director of the Designated Stock Exchange along with Lead Merchant Banker and Registrar to the Issue shall be responsible to ensure that the basis of allocation is finalised in a fair and proper manner.*

**Information Technology Sector, in which the Company is operating in, is witnessing abnormally high valuation presently and possibilities cannot be ruled out that the same may not continue in future.**

**HIGHLIGHTS**

1. Company has obtained ISO 9001: 2000 certifications.
2. The Company is registered with STPI and all the benefits available to a registered unit are available to the company.
3. Listing at Hyderabad Stock Exchange.

## Prospectus

**CHAKKILAM INFOTECH LIMITED**

(Originally incorporated as Chakkilam Infotech Pvt. Ltd. on 3<sup>rd</sup> September, 1998 with Registrar of Companies, Andhra Pradesh and subsequently converted into a Public Limited Company on 31<sup>st</sup> January, 2000 vide Special Resolution Passed on 22<sup>nd</sup> January, 2000 in terms of Section 31 (1) / 44 of the Companies Act 1956)

**Registered Office:** Suit No(s) 106 & 107, 6-3-456/C, MGR Estates, Dwarakapuri Colony, Panjagutta, Hyderabad – 500 082; **Tel:** +91-40-23357904 & 907; **Fax:** +91-40-23353980; **Website:** www.chakkilaminc.com; **E-mail:** ipo@chakkilaminc.com

**INITIAL PUBLIC ISSUE OF 23,30,000 EQUITY SHARES OF Rs. 10/- EACH FOR CASH AT PAR AGGREGATING TO Rs. 2,33,00,000/-**

**PART I****I. GENERAL INFORMATION:**

Chakkilam is issuing for subscription 23,30,000 Equity shares of Rs. 10/- each for cash at par aggregating to Rs. 2,33,00,000.

**AUTHORITY FOR THE PRESENT ISSUE**

The Issue has been authorised by a Special Resolution passed, pursuant to Section 81(1A) of the Act, at the Extra Ordinary General Meeting of the Company held on 18-07-2003.

**ELIGIBILITY FOR THE ISSUE**

According to Clause 2.2.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and its amendments thereof, an unlisted company shall make a public issue of any equity share or any security convertible into equity shares at a later date subject to the following:

- i. The company has net tangible assets worth of above Rs. 3 crores in each of the preceding 3 full years (each of 12 months), of which not more than 50% is held in monetary assets;
- ii. It has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least (3) out of immediately preceding five (5) years;
- iii. It has a pre-issue net worth of not less than Rs. 1 crore in three (3) out of preceding five (5) years, with a minimum net worth to be met during immediately preceding two (2) years;
- iv. It has not changed its name within the last one year;
- v. The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through Prospectus+ firm allotment+ promoter's contribution through the Prospectus) does not exceed five (5) times its pre-issue net worth as per the last available audited accounts.

As per Clause 2.2.2A, the Issuer shall not make an allotment pursuant to a public issue or offer for sale of equity shares or any security convertible into equity shares unless in addition to satisfying the conditions mentioned in Clause 2.2.1, the prospective allottees are not less than one thousand (1000) in number.

The Pre-issue Net worth, distributable profits and net tangible assets in terms of section 205 of the Companies Act, of the Company for the last three complete years are as under:

(Rs. in Lacs)

Particulars	March 31,2001	March 31,2002	March 31,2003
Net Tangible Assets	522.64	530.43	499.86
Monetary Assets	173.12	178.87	369.01
Distributable Profit	25.26	50.18	68.13
Net worth	604.35	654.54	818.24
% of Net Tangible assets on Net worth	86.48%	81.04%	61.09%
% of Monetary Assets on Net worth	28.65%	27.33%	45.10%

Source: Audited Annual Accounts of the Company for the respective financial years.

The proposed issue size of Rs. 233.00 lacs would not exceed five times the pre-issue net worth as on 31<sup>st</sup> March 2003 which is Rs. 818.24 Lacs. There has been no other issue in the same financial year.

Based on the above data the Lead Manager has certified that the Company is fulfilling the criteria of eligibility norms for Public Issue by unlisted company as specified in the Guideline 2.2.1 of SEBI (DIP) Guidelines, 2000. Therefore, the Board of Directors of the Company has resolved to go for the proposed Public Issue pursuant to the above-mentioned guidelines.

Monetary Assets have been considered as defined by AS-26 issued by Institute of Chartered Accountants of India, is as follows:

*"Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money, e.g., cash, receivables, payables."*

Monetary Assets taken as per the above definition are: Cash and Bank, Sundry Debtors, Loans and Advances and Other Current Assets.

'Net tangible assets' shall mean the sum of all net assets of the company, excluding 'intangible assets', as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India

#### **PROHIBITION BY SEBI**

The company, its directors and companies with which the directors of Issuer are associated, as directors or promoters, have not been any time prohibited from accessing the capital market under any order or direction passed by SEBI. Listing of any securities of the Issuer has never been refused at any time by any of the stock exchanges in India or abroad.

#### **GOVERNMENT APPROVALS**

The Company does not require any Industrial License pursuant to the current Industrial Policy of the Government of India.

The Company has obtained permission from Software Technology Parks of India, Government of India, and Dept. Of Electronics vide letter no STPH/IMSC/1999-2000/289/20282, dated 20.03.2000 to set up 100% EOU. The Company had entered into agreement dated 21/03/2000 with The Software Technology Parks of India at Hyderabad for Software Exports. The Registration of the company as 100% EOU under the STPI is for a period of 5 years subject to fulfillment of the other stipulations of the STPI.

The company has been granted the status of 100% EOU from Software Technology Parks of India (STPI) and it has to meet its obligation before 31<sup>st</sup> March 2005.

The Company has also obtained import-export Code bearing No.0999011278 dated 29/03/2000 Issued by Government of India, Ministry of Commerce, Office of Joint Director General of Foreign Trade vide file No.09/04/130/01135/AMOO dated 28/03/2000.

The Company has received all the necessary permissions and approvals from the Government and various Government Agencies. No further approvals from any Government Authority are required by the Company to undertake the activities save and except those approvals, which may be required to be taken in the normal course of business from time to time. It must be understood that in granting the said approvals, the Government of India and Reserve Bank of India do not undertake any responsibility for the financial soundness of the undertaking or for the correctness of any of the statements made or opinions expressed in this regard. No further approval required from any Government authority for this Issue.

#### **DISCLAIMER CLAUSE:**

##### **SEBI DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI.**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, ARYAMAN FINANCIAL SERVICES LIMITED HAVE CERTIFIED**

THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, ARYAMAN FINANCIAL SERVICES LTD HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 08-08-2003 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

**WE CONFIRM THAT:**

- THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(3) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(4) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS."

THE FILING OF PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56 OF THE ACT.

#### **DISCLAIMER CLAUSE OF THE HYDERABD STOCK EXCHANGE (HSE)**

"The Hyderabad Stock Exchange Limited has given its no objection certificate to the company vide letter dated 23<sup>rd</sup> August 2003 to use the name of the Exchange in this Prospectus as one of the Stock Exchanges on which the company's securities are proposed to be listed. The Hyderabad Stock Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Hyderabad Stock Exchange Limited does not in any manner:  
(a) Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus.  
(b) Warrant that this Company's Securities will be listed or will continue to be listed on HSE.

(c) Take any responsibility for the financial or other soundness of this Company, Promoter, Management of any scheme or project of this Company.

And it should not be, for any reason be deemed or construed that this Prospectus has been cleared or approved by HSE. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against HSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated in the Prospectus or any other reason whatsoever”.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families [HUF], Companies, Corporate Bodies and Societies Registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds Registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, OCBs and FIIs as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares Offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI for its observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Chakkilam since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **GENERAL DISCLAIMER CLAUSE OF THE OFFERER COMPANY**

The Managing Director of the Company, Mr. C.V. Subramanyam, declares and confirms that no information/material likely to have bearing on the decision of the investors in respect of the shares/debentures/securities issued in terms of this Prospectus has been suppressed/withheld and/or incorporated in the manner that would amount to mis-statement/ mis-representation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/or amounts to a mis-statement mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers without prejudice to the provisions of Section 63 of the Companies Act, 1956.

The Issuer accepts full responsibility for the accuracy of the information given in this Prospectus and confirms that to the best of their knowledge and belief, there are no other facts the omissions of which make any statement in the Prospectus misleading, and they further confirm that they have made all reasonable inquiries to ascertain such facts.

#### **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance, and protection of customers, shareholders interests and the Company endeavors to maintain transparency at all levels. The Company has complied with SEBI Guidelines in respect of Corporate Governance specially with respect to broad basing of the Board, constituting the committees as required. Significant measures taken by the Company to conform to the Code of Corporate Governance introduced by SEBI in April 2000 include the following:

### Composition of The Board of Directors

The Board of the Company is in conformity with the Code of Corporate Governance. The Board comprises more than 50% non-executive Directors. The Managing Director is in charge of the day-to-day affairs of the Company, assisted by the Key Managerial Personnel of the Company. The Board considers, inter alia, matters relating to strategy and business plans, annual operating and expenditure budgets, compliance with statutory requirements, adoption of periodical report, etc.

### Audit Committee

The Company has an Audit Committee of the Board of Directors consisting of 3 Non-Executive Directors as detailed below:

Name	Designation
P. Vikram	Chairman
K. Srinivasa Rao	Director
K. Nageswara Rao	Director

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system. The audit committee reviews following viz. Internal audit reports, Auditor's Report on the Financial Statements, the strength and weakness of the internal controls and recommendations relating thereto, compliance with accounting standards. The Committee holds discussions with Internal /Statutory Auditors.

### Remuneration Committee

The Company has a Remuneration Committee of the Board of Directors consisting of 3 Non-Executive Directors as detailed below:

Name	Designation
P. Vikram	Chairman
K. Srinivasa Rao	Director
K. Nageswara Rao	Director

### Investors Grievances Committee

The objective of the committee is to look into redressal of grievances of shareholders relating to transfer of shares, non-receipt of certificates, change of address, dematerialisation of shares etc. Focus of the committee is on the basic rights of the shareholders including transfer of shares, transmission /transposition of shares, issue of duplicate/split certificates/subdivision/consolidation of shares, consolidation of folios, dematerialisation/rematerialisation of shares, and such other issues relating to shares.

The Members of the Committee are:

Name	Designation
P. Vikram	Chairman
K. Srinivasa Rao	Director
K. Nageswara Rao	Director

**Mr. Madhu Sudhan Reddy V** is the Secretary of the Committee.

### FILING OF PROSPECTUS WITH THE BOARD.

A copy of the Prospectus has also been filed with the Chennai Office of SEBI.

A copy of this Prospectus, having attached thereto the documents required to be filed under Section 60 of the Act has been delivered for registration to the Registrar of Companies, Andhra Pradesh, at Hyderabad.

A copy of the documents referred elsewhere in the Prospectus has been kept open for public inspection at the Registered Office of the Company.

## **LISTING**

The equity shares of the Company are proposed to be listed on The Hyderabad Stock Exchange [the Designated Stock Exchange] and has conveyed its in-principle approval vide its letter dated 23<sup>rd</sup> August 2003 to use the name of the exchange in the Prospectus.

In case the permission to deal in and for official quotation of the shares is not granted by these Stock Exchanges, the Issuer shall forthwith repay, without interest, all monies received from applicants in pursuance of this Prospectus and if such money is not repaid within 8 days after the day from which the Company is liable to repay it the company shall pay interest as prescribed under section 73(2) of the Act.

The Stock Exchanges shall be obliged to accept or decline the request for in-principle approval for listing within 15 days of submission of the Prospectus. The lead manager shall furnish to SEBI the in-principle approval from the stock exchanges within the said 15 days. If the in-principle approval of all the Stock exchanges stated in the Prospectus is not submitted within the said period, the lead manager shall not proceed with the Issue and the file shall be closed.

## **MINIMUM SUBSCRIPTION**

"If the Company does not receive the minimum subscription of 90% of the issued amount on the date of the closure of the issue, or if the subscription level falls below 90% after the closure of the issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Act."

## **IMPERSONATION / CAUTION**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Act, which is reproduced below:**

"Any person who:

- (a) **Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) **Otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

**THE COMPANY ACCEPTS NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE PROSPECTUS OR IN THE ADVERTISEMENTS OR ANY OTHER MATERIAL OFFERED BY OR AT THE INSTANCE OF THE COMPANY AND THAT ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS/ HER OWN RISK.**

## **PROHIBITION BY SEBI**

The Company, its Directors or any of the Company's associates or Group Companies have not been prohibited from accessing the Capital Markets under any Order or Direction passed by SEBI.

## **UTILISATION OF ISSUE PROCEEDS**

The Board of Directors of the Company certifies that –

All monies received out of this Offer to the Public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Act and the company shall not have access to the funds till allocation and despatch of refund orders, share certificates, confirmation of credit to demat account of the applicant & approval of dealing of shares from HSE.

## **ALLOCATION/REFUND ORDERS**

Allocation Letter(s)/Letter of Regret/ as the case may be together with refund orders/pay order shall be despatched by registered post (refund orders/pay order of value upto Rs. 1,500/- by ordinary post under certificate of posting) at the sole/first named applicant address within 10 weeks from the date of closing of the subscription list. If such money is not repaid within 8<sup>th</sup> day from the day the company becomes liable to pay, the company shall on and from the expiry of the 8<sup>th</sup> day be liable to repay that money with interest @ 15% per annum.

"The company shall ensure despatch of refund orders of value over Rs.1500/- and share/debenture certificates by Registered Post only and adequate funds for the purpose shall be made available to the Registrars by the issuer company ".

- 1.7.1 The lead merchant banker shall ensure that the despatch of share certificates / refund orders / and demat credit is completed and the allotment and listing documents submitted to the stock exchanges within 2 working days of finalisation of the basis of allotment.
- 1.7.2 The post issue lead manager shall ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment.)

As far as possible allocation of equity shares shall be done with in 30 days from closure of the subscription list. The company shall pay interest at the rate of 15% p.a, if the allocation is not made and the refund orders are not despatched to the investors within 30 days from closure of the Offer period for delay beyond 30 days. The company will also make available adequate funds to the Registrars to the Offer for the purpose of despatch of Allocation letters/Refund Orders as stated above.

Refunds will be made by refund orders or pay orders drawn on the bank(s) appointed by the Company as refund banker. Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for en-cashing such cheques or pay orders will be payable by the applicant.

#### **OVERSUBSCRIPTION AND BASIS OF ALLOCATION.**

A minimum 50% of the net offer to the Indian Public will be made available for allocation in favor of those individual applicants who have applied for 1000 equity shares or less. This percentage may be varied in consultation with the Stock Exchange, Hyderabad depending on the extent of response to the Offer from investors in this category. In case allocations are made to a lesser extent than 50% because of lower subscription in the above category, the balance equity shares would be added to the higher category, and allocation made on a proportionate basis as per relevant SEBI Guidelines.

All information shall be made by the lead managers and the issuers /company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including road shows, presentation, in research or sales reports, etc.

#### **ISSUE PROGRAMME**

The subscription list will open at the commencement of banking hours and will close at the close of banking hours on the days as mentioned below.

<b>ISSUE OPENS ON</b>	<b>:</b>	<b>MONDAY , 12<sup>th</sup> JANUARY, 2004</b>
<b>ISSUE CLOSES ON</b>	<b>:</b>	<b>FRIDAY , 23<sup>rd</sup> JANUARY, 2004</b>

The company accepts full responsibility for the accuracy of the information given in this Prospectus and confirms that to the best of his knowledge and belief, there are no other facts the omission of which makes any statement in the Prospectus misleading, and he further confirm that he has made all reasonable enquiries to ascertain such facts.

All information shall be made available by the lead managers and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including road shows, presentation, in research or sales reports, at collection centers etc.

**ISSUE MANAGEMENT TEAM**

<b>LEAD MANAGER TO THE ISSUE</b> <b>Aryaman Financial Services Limited</b> SEBI Regn No. – INM 000006807 #503B, Maheshwari Chambers, Somajiguda, Hyderabad-500082 Tel No: 91-40-23326989/23376046 Fax No. 91-40-23376046	<b>REGISTRARS TO THE ISSUE</b> <b>Aarthi Consultants Pvt. Ltd</b> SEBI Regn No. – INR 000000379 1-2-285, Domalguda, Hyderabad-500029. Tel. No.: 91-40- 27642217,27638111 Fax No. 91-40- 27632184
<b>AUDITORS</b> <b>P MURALI &amp; CO.,</b> Chartered Accountants 6-3-655/2/3, First Floor, Somajiguda, Hyderabad-500 082. Tel No.: 91-40-23321470, 23312554 Fax No.: 91-40-23392474	<b>BANKERS TO THE COMPANY</b> <b>Global Trust Bank Ltd</b> Secunderabad Branch, 9-1-129/1, Oxford Plaza Building, Sarojini Devi Road Secunderabad - 500003 Tel: 91-40-27704359/4935/569/0218 Fax No.: 91-40-27705898
<b>COMPANY SECRETARY CUM COMPLIANCE OFFICER</b> <b>Mr. Madhu Sudhan Reddy V</b> #6-3-456/C, Suit No(s) 106 & 107, MGR Estates, Dwarakapuri Colony, Panjagutta, Hyderabad – 500 082; <b>Tel: +91-40-23357904 &amp; 907;</b> <b>Fax: +91-40-23353980</b> <a href="mailto:madhu@chakkilaminc.com">madhu@chakkilaminc.com</a>	<b>LEGAL ADVISOR TO THE ISSUE</b> <b>V.S. Raju</b> Advocate F-3 2nd Floor Rd No 1 Gayatri Apartments Banjarahills Hyderabad 500 034 Tel No: 91-40-23397154
<b>BANKERS TO THE ISSUE</b> <b>Global Trust Bank Ltd</b> Secunderabad Branch, 9-1-129/1, Oxford Plaza Building, Sarojini Devi Road Secunderabad – 500003 Tel No: 91-40-27704359/4935/569/0218 Fax No.: 91-40-27705898	<b>Andhra Bank</b> No: 90, Anna Pillai, Sowcarpet Branch, Chennai – 600079 Tel. No: +91-44-25224260/5405

**CREDIT RATING**

Since the present Issue is of Equity Shares, credit rating is not required.

**TRUSTEES**

Since the present Issue is of Equity Shares, Appointment of Trustees is not required.

**UNDERWRITING**

The present issue of the equity shares is not underwritten.

**II. CAPITAL STRUCTURE OF THE COMPANY**

PARTICULARS		NOMINAL VALUE (Rs.)
<b>A. AUTHORISED</b>		
1,20,00,000	Equity Shares of Rs.10/- each	12,00,00,000
<b>B. ISSUED, SUBSCRIBED &amp; PAID UP</b>		
69,67,000	Equity Shares of Rs.10/- each for cash at par allotted to Promoters, Directors, Relatives, Friends & Associates.	6,96,70,000
<b>C. PRESENT ISSUE</b>		
23,30,000	Equity Shares of Rs.10/- each for cash at Par	2,33,00,000
<b>D. NET OFFER TO THE PUBLIC</b>		
23,30,000	Equity Shares of Rs.10/- each for Cash at par	2,33,00,000
<b>E. PAID UP CAPITAL AFTER THE ISSUE</b>		
92,97,000	Equity Shares of Rs.10/- each for Cash at par	9,29,70,000

**NOTES TO CAPITAL STRUCTURE**

1. Shareholders of the company do not hold any warrants, options, right to convert a debenture, loan or other instrument entitling them to acquire further shares in the company.

**2. Details of the Authorised Capital**

Increased from	Increased to	Remarks
Rs.5,00,000 comprising of 50,000 equity shares	Rs.2,00,00,000 comprising of 20,00,000 equity shares	Resolution passed at the Extra Ordinary General Meeting held on 29.02.2000.
Rs.2,00,00,000 comprising of 20,00,000 equity shares	Rs.8,50,00,000 comprising of 85,00,000 equity shares	Resolution passed at the Extra Ordinary General Meeting held on 27.03.2000
Rs.8,50,00,000 comprising of 85,00,000 equity shares	12,00,00,000 comprising of 1,20,00,000 equity shares	Resolution passed at the Extra Ordinary General Meeting held on 20.09.2000.

**2.Share Capital History and Promoters holding and lock-in provision.**

S.No	Date of Allotment	When Fully paid up	Consideration (Cash, bonus, kind, etc.)	No of shares	Face Value Rs.	Offer Price Rs.	% To post Issue	Lock in Period
1	3/9/98	3/9/98	Sub to MOA	400	10	10	0.00	3 years
2	27-12-1999	27-12-1999	Cash	300	10	10	0.00	1 year
3	30-03-2000	30-03-2000	Cash	1,135,350	10	10	12.21	1 year
4	01-08-2000	01-08-2000	Cash	826,350	10	10	8.89	1 year
5	06-10-2000	06-10-2000	Cash	287,600	10	10	3.09	1 year
6	06-10-2000	06-10-2000	Cash	1,000,000	10	10	10.76	3 yrs
7	09-03-2001	09-03-2001	Cash	500,000	10	10	5.38	1 year
8	01.02.2001	01.02.2001	Cash	1,151,000	10	10	12.38	1 year
9	01.02.2001	01.02.2001	Cash	859,000	10	10	9.24	3 yrs
10	18-11-2002	18-11-2002	Cash	1,207,000	10	10	12.98	1 year
<b>TOTAL</b>				<b>6,967,000</b>			74.94	

3. 5,00,000 equity shares are allotted to ESOP Trust. The lock-in will be as per the trust deed.

Note:

1. 20% of the Post Issue capital held by the promoters mentioned above would be locked in for a period of 3 years from the date of allotment of shares in this Issue or commencement of commercial operations, whichever is later.
2. The Company has passed the resolution for allotment of shares.

S.No	Date of Allotment	Consideration Cash, bonus, Kind, etc.	No of shares	Details of Meetings	Date of Resolution
1.	03-09-1998	Sub to MOA	400	Board of Directors	03-09-1998
2.	27-12-1999	Cash	300	Board of Directors	27-12-1999
3.	30-03-2000	Cash	1135350	Board of Directors	30-03-2000
4.	01-08-2000	Cash	826350	Board of Directors	01-08-2000
5.	06-10-2000	Cash	1287600	Board of Directors	06-10-2000
6.	09-03-2001	Cash	500000	Board of Directors	09-03-2001
7.	01.02.2001	Cash	2010000	Board of Directors	01.02.2001
8.	18-11-2002	Cash	1207000	Board of Directors	18-11-2002
TOTAL			<b>69,67,000</b>		

- a. All the shares were allotted after realization of the Cheques/Demand Draft submitted along with application for shares only.
- b. The Company has not Issued any shares/Securities of the Company to anyone for Consideration other than Cash.

#### 4. PROMOTERS CONTRIBUTION AND LOCK-IN IN RESPECT OF PROMOTERS WHOSE NAME FIGURES IN THE PARAGRAPH "PROMOTERS AND THEIR BACKGROUND".

S.no	Name of the promoters	Date of Allotment	When date of Fully paid up	Consideration (Cash, bonus, Kind, etc.)	No of Shares	Face Value Rs.	Issue Price	Lock in Period
1	C.V. Subramanyam	03-09-1998 01.02.2001	03-09-1998 01-02-2001	Sub to MOA Cash	100 39400	10 10	10 10	3 years
2	C. Sudhakar	03-09-1998	03-09-1998	Sub to MOA	100	10	10	3 years
3	B. Prabhakar Arthur	03-09-1998	03-09-1998	Sub to MOA	100	10	10	3 years
4.	P.S. Vasantha	03-09-1998	03-09-1998	Sub to MOA	100	10	10	3 years
5.	Chakkilam Construction Private Limited	06-10-2000 06-10-2000 01-02-2001	06-10-2000 06-10-2000 01-02-2001	Cash Cash Cash	367400 632600 480000	10 10 10	10 10 10	3 years
6.	C. Durga	01-02-2001	01-02-2001	Cash	339600	10	10	3 years
TOTAL					1859400	10	10	3 Years

Note: Ms P.S.Vasantha, who was a Promoter Director, is not on the Board of Directors of the company.

- **The shares allotted will be locked in for a period of 3 yrs from the date of allotment or commencement of commercial operations as mentioned in this Prospectus, whichever is later.**

5. Top ten shareholders 10 days prior and as on the date of filing the Prospectus with SEBI is as follows:

S.No	Name of the Shareholders	No. Of shares	% to Capital
1	Chakkilam Constructions P. Ltd.	1480000	32.22
2	C. Durga	1000100	21.77
3	Suresh Doki	604000	13.15
4	Madhavi Doki	502000	10.93
5	Chakkilam Employees Welfare Trust	500000	10.88
6	E- Commerce Support Centers, INC.	233200	5.08
7	Gurujender Singh	101000	2.20
8	Chandra Shekar Korapati	73350	1.60
9	Ranjit Kumar Surana	50000	1.09

10	Sunil Kumar Surana	50000	1.09
<b>Total</b>		<b>4593650</b>	<b>100.00</b>

## 6. Top ten shareholders two years prior to the date of filing the Prospectus with SEBI

Sr. No.	Name of the Shareholders	No. Of shares	% to Capital
1	Chakkilam Constructions P. Ltd.	1480000	47.95
2	C Durga	1000100	32.40
3	E-Commerce Support Centers, Inc	233200	7.56
4	Chandra Sekhar Korapati	73350	2.38
5	A Vijay Kumar Raju	50000	1.62
6	Alluri Anuradha	50000	1.62
7	Bhagya Latha Tata	50000	1.62
8	Consumer Awareness Research Society	50000	1.62
9	M Malathy	50000	1.62
10	M Sukumar Reddy	50000	1.62
<b>Total</b>		<b>3086650</b>	<b>100.00</b>

## 7. (i) Existing shareholding pattern of the Promoter Group

Particulars	No. of Equity Shares	% to Present Equity
a). Promoter	15,19,700	21.81
b). Immediate Relative of promoter (Spouse, parent, child, brother, sister)	10,30,300	14.79
c). Company in which 10% or more of the share capital is held by the promoter, his immediate relative, firm or HUF in which the promoter or his immediate relative is a member	44,17,000	63.40
d) Company in which the Company mentioned in (C) above holds 10% or more of the share capital	NIL	NIL
e). HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total	NIL	NIL
<b>Total</b>	<b>69,67,000</b>	<b>100.00</b>

## 7.(ii). Pre and Post Shareholding Pattern of the company is as under

Particulars	Pre Offer Capital		Post Offer Capital	
	No. Of equity shares	% to present share capital	No. of equity shares	% to present share capital
Promoter, friends, relatives & associates and other group companies	69,67,000	92.82	69,67,000	74.94
Financial Institutions & Mutual Funds	NIL	NIL	NIL	NIL
Nationalised Banks	NIL	NIL	NIL	NIL
Corporate Bodies	NIL	NIL	NIL	NIL
NRIs / OCB's	NIL	NIL	NIL	NIL
Public	NIL	NIL	23,30,000	25.06
<b>Total</b>	<b>69,67,000</b>	<b>100.00</b>	<b>92,97,000</b>	<b>100.00</b>

\* All the existing shares of the company are fully paid up

8. The market lot of the shares will be 100. (Hundred). The process of rounding off to the nearer multiple of 100 may result in the actual allotment being higher than the shares offered, the final allotment may be higher up to 10% of the Net Offer To The Public as specified under Para D to the Capital Structure.
9. The Company /Directors /LMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company with any person.
10. The Company has not raised any Bridge Loan against the proceeds of this Issue.
11. There would be no further Issue of capital whether by way of Issue of bonus shares, preferential allotment, rights Issue or in any other manner during the period commencing from submission of the Prospectus with SEBI till the securities referred in this Prospectus have been listed.
12. The Company presently does not have any intention or proposal to alter its Capital Structure within a period of six months from the date of opening of this Issue, by way of split/consolidation of the denominations of shares or further Issue of shares whether preferential or otherwise.
13. The Company has not issued any shares out of revaluation reserves or for consideration other than cash.
14. The shareholders of the company do not hold any warrants, options, right to convert a debenture, loan or other instrument entitling them to acquire further shares in the company.
15. The securities offered through this public Issue shall be made fully paid-up or may be forfeited within 12 months from the date of allotment of securities. To this effect the entire amount payable per equity share will be called within twelve months from the date of allotment. If the investor fails to make the shares fully paid-up within twelve months from the date of allotment, the subscription money already paid may be forfeited.
16. At any given point of time, there shall be only one denomination for the shares of the Company.
17. The Company has 443 shareholders as on date.
18. There has been no trading in the securities of the company by the Promoters/ Directors of the Issuer during the preceding six months from the date of filing the Prospectus with ROC.
19. No payment, direct/ indirect in the nature of discount, commission allowance or otherwise shall be made either by the Issuer company or the promoters to the persons who receive firm allotment in such public Issue.
20. No securities forming part of promoters' contribution will consist of any private placement made by the solicitation of subscription from unrelated persons either directly or through any intermediary.
21. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.
22. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Offer, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use share as currency for acquisition and/or participation in such joint venture

### **III. TERMS OF THE PRESENT ISSUE**

#### **PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE**

The equity shares being issued are subject to terms of this Prospectus, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and Letter of Allocation or other documents and the guidelines issued from time to time by the Government of India and Securities & Exchange Board of India.

## **AUTHORITY FOR THE ISSUE**

The Issue has been authorised by a Special Resolution passed, pursuant to Section 81(1A) of the Act, at the Extraordinary General Meeting of the Members of the Company held on 18-07-2003.

## **TERMS OF PAYMENT**

The application must be for a minimum of 200 equity shares and thereafter in multiples of 100 shares. The amount payable is as follows :

On Application	Rs. 2.50/ - per share
On Allotment	Rs. 2.50/ - per share
On I Call	Rs. 2.50/ - per share
On II Call	Rs. 2.50/ - per share

An applicant in the public category can make application for that number of shares, which is offered to the public for subscription.

Where an applicant is allocated lesser number of shares than he has applied for, the excess amount paid on application will be refunded to the applicant in the manner stated under the head 'Refund/Allocation Prospectus'. An applicant in the public category can make application for that number of shares only, which is offered to the Public for subscription.

## **INTEREST IN CASE OF DELAY IN DESPATCH OF ALLOTMENT LETTERS/ REFUND ORDERS**

The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public Issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters / refund orders have not been despatched to the applicants within 30 days from the date of the closure of the Issue. However applications received after the closure of Issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

## **RANKING OF EQUITY SHARES**

The equity shares being offered shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu with the existing equity shares including dividend, if any, declared. Dividend for the entire year shall be payable to the transferees.

## **MODE OF PAYMENT OF DIVIDEND**

Payment of dividend on Equity Shares will be made by cheques payable at par at such places, as Chakkilam may deem fit. In case cheques payable at par facility is not available, Chakkilam reserves the right to adopt any other suitable mode of payment.

## **FACE VALUE AND ISSUE PRICE**

The Equity Shares having a Face Value of Rs. 10/- each are being issued at Par.

## **DENOMINATION OF SHARES**

The company undertakes that at any given time there will be only one denomination for the shares of the Company and the Issuer will comply with the extant SEBI Guidelines pertaining to relevant accounting norms and disclosures.

There has been no change in the standard denomination of shares.

## **RIGHTS OF THE EQUITY SHAREHOLDER**

- a) Right to receive dividend, if declared
- b) Right to attend general meetings and exercise voting powers, unless prohibited by law
- c) Right to vote on a poll either in person or by proxy
- d) Right to receive offers for rights shares and be allotted bonus shares
- e) Right to receive surplus on liquidation
- f) Such other rights, as may be available to a shareholder of a public company under the Act.

## **MARKET LOT**

The market lot would be 100 equity shares. However, if the trades in Equity Shares of the Company are done in dematerialised form, then the tradable lot would be one share.

## **DENOMINATION OF CERTIFICATE - CONSOLIDATED**

Consolidated Share Certificate(s) will be offered for investors opting for physical certificates.

## **NOMINATION FACILITY TO INVESTOR**

In accordance with section 109A of the Act, the sole or first applicant, along with other joint applicants may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with section 109A of the Act, be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Share(s). Where the nominee is minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company/Registrar.

Any person who becomes a nominee by virtue of the provisions of section 109A of the Act, shall upon the production of such evidence as may be required by the Board, elect either:-

- a. to be registered himself as holder of Equity Shares or
- b. To make such transfer of the Equity Shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to elect either to be registered himself or to transfer the Equity Shares, and if the notice is not complied with in ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

\* Pursuant to clause 6.34(c) of SEBI 2000 Guidelines, the trading in the securities of the Company shall be in dematerialised form only for all investors. Thus, investors in their own interest are advised to apply for securities in demat form.

## **HOW TO APPLY:**

### **GENERAL INSTRUCTIONS**

The applicants are advised to read the Prospectus and the general instructions together with the memorandum carefully and to satisfy themselves of the disclosures before making an application for subscription. For a copy of the prospectus the applicant may request the Issuer Company and/or lead manager/broker to the Issue. Further, investors are advised to retain the copy of the prospectus/Form 2A (abridged prospects) for their future reference.

### **Availability of Application forms and Prospectus.**

Application forms with Memorandum containing salient features of the Prospectus and copies of the Prospectus under Section 56(3) of the Act may be obtained from the Registered Office of the Company, the Lead Managers to the Issue, Brokers to the Issue and the Bankers to the Issue named herein or from their branches as stated on the reverse of the application form.

### **Procedure for Application and mode of payment**

#### **TECHNICAL GROUNDS**

The applicants must provide the following information in the application form to avoid prima facie rejection of the application form.

1. Signature of the applicants
2. Disclosure of age.
3. Bank account details
4. PAN /GIR No. in case of application for more than Rs. 50,000/-

5. Cash with the application should not be more than Rs. 20,000/-
6. Multiple application in the same name.
7. Applications for physical & demat form in the same name
8. Application by promoters / Directors

**APPLICATION BY RESIDENT INDIAN PUBLIC**

1. Application must be made only:
  - a) On the prescribed Application Form (White in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions Contained herein and in the application form and is liable to be rejected if not so made.
  - b) For a minimum of 200 Equity Shares and in multiples of 100 thereafter.
  - c) In single name or joint names (not more than three);
  - d) By Indian Nationals resident in India, and
  - e) In the names of individuals, LIMITED companies or statutory corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non-Residents, trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorised under its constitution to hold shares and debentures in a company), Hindu undivided Families, partnership firms or their nominees.
2. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank), which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
3. A separate cheque or Bank draft or Stock-invest must accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Issue with whom the application is lodged and marked "**GTB A/c- CHAKKILAM INFOTECH LIMITED- Public Issue**" and crossed "Account Payee Only" (e.g. **GTB A/c – CHAKKILAM INFOTECH LIMITED - Public Issue**).
5. All application Forms duly completed together with cash/ cheque/bank draft/stock-invest for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Issue or to the Registrars to the Issue.
6. Applicants residing at places where no collection centers have been opened may submit/mail their applications at their sole risk along with application money due there unto by Demand Draft to the Registrar to the Issue, Super scribing the envelope "**Chakkilam Infotech Limited – Public Issue**" so as to reach the Registrar on or before the closure of the Subscription List. Such demand drafts should be payable at Hyderabad only. The charges, if any, for purchase of the demand draft will have to be borne by the applicant.
7. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
8. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place mentioned. Application Form without this information will be considered incomplete and is liable to be rejected.
9. All cheques/Bank Drafts accompanying the application form should contain the Application Form Number.
10. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
11. For further instructions please read Application Form carefully.

**APPLICATIONS, WHICH ARE NOT COMPLETE IN EVERY RESPECT OR IN CONTRAVENTION OF ANY PROVISIONS/INSTRUCTIONS CONTAINED IN THIS PROSPECTUS OR IN, THE MEMORANDUM CONTAINING SALIENT FEATURES OF PROSPECTUS ARE LIABLE TO BE REJECTED.**

**Application by Indian Mutual Funds / Banks and Financial Institutions**

Application by Mutual Funds and Financial Institutions / Banks must be made only: -

- i. On the prescribed PINK application form which can be obtained from the Registered Office of the Company, Lead Managers and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein, and is liable to be rejected if not so made.
- ii. All cheques or drafts accompanying form should be drawn in favors of the Bankers to the Issue, with whom the application is lodged and marked "**GTB Ltd. TD A/C Chakkilam Infotech Limited - MF (for Mutual Funds) / GTB LTD A/C Chakkilam Infotech Limited - FI/BANK (for Financial Institutions / Banks) (for example "GTB LTD A/C Chakkilam Infotech Limited MF / FI / BANK") and crossed A/C PAYEE ONLY**".
- iii. For minimum of 10,000 Shares and in multiples of 1000 shares thereafter.
- iv. Payments should be made in Cash or by Cheque / Bank Draft drawn on any bank (including a co-operative bank) which is situated at and is a member or sub-member of the Bankers Clearing House located at the centre where the application form is submitted. Outstation cheques / bank drafts will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Money orders / postal orders will not be accepted.
- v. All application forms duly completed together with cash / cheques / bank drafts for the amounts payable thereon, must be delivered before the closure of the subscription list to any of the Bankers to the Issue named herein or to any of the branches of Bankers to the Issue at the places mentioned against their name in the application form and NOT to the Company or Lead Manager or Registrars to the Issue.
- vi. A separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such application will not be treated as multiple application provided that the applications made by the AMCs / Trustees / the custodians clearly indicate the intention as to each scheme for which application has been made.

Other terms and conditions as mentioned under "Application by Resident Indian Public" to the extent applicable, shall apply mutatis-mutandis.

**Application by NRIs/OCBs**

1. In the case of NRIs/OCBs applications must be in the name of individuals or bodies corporate predominantly owned (at least to the extent of 60%) by Non-resident individuals of Indian nationality/origin and NOT in the name of firms, partnership firms, foreign nationals or their nominees. Application by Bodies corporate must be accompanied by a certificate in the prescribed form OAC / revised OAC-1 from an Overseas auditor/Chartered Accountant/Certified Public Accountant.
2. The individual NRI applicants can obtain the application forms from the Registrar to the Issue/Issuer company
3. Application forms duly completed together with remittance from abroad to the extent of application money payable through approved banking channels or out of the funds held in NRE / FCNR Account maintained with Banks authorised to deal in foreign exchange in India, along with a certificate from the Bank issuing the draft confirming that the draft has been Issued by debit to the NRE / FCNR Account must be delivered before the closure of the Subscription list to any of the Bankers to the Issue or to any of their branches mentioned on the reverse of the prescribed Application form and NOT to the Company or to the Managers to the Issue or Registrars to the Issue (save as otherwise provided elsewhere mentioned in this Prospectus). For further instructions, please read the application form carefully.
4. In case payment is made out of Non-resident ordinary accounts, the application shall be treated as an application without repatriation.
5. Refunds, interest, dividends and other distributions, if any will be payable in Indian Rupees only in the case of applicants who remit their application money from funds held in NRE / FCNR accounts. Such payments shall be credited to their respective NRE / FCNR accounts. Such payments shall be credited to their respective NRE / FCNR account, details of which should be furnished in the space provided for this purpose in the application form. In case of applicants who remit their money abroad, such payments in Indian Rupees will be converted into US Dollars or any other currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched through Registered Post for

refund and by Ordinary Post for interest, dividend and other distributions at the applicant's risk or at the request of the applicants would be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the application form. The exchange risk on such refunds and other distributions shall be exclusively borne by the applicants.

6. Applicants, who have applied under Repatriation benefits, shall fill up all the particulars required under the heard 'Particulars of Remittance' in the application form.
7. Allocation of the equity shares under this category with repatriation will be subject to the approval of Reserve Bank of India.

## **GENERAL INFORMATION**

### **Joint Applications:**

An application may be made in single or in joint names (not more than three). In the case of joint application, refund/pay order (if any), dividend/interest warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the Application.

### **Multiple Applications:**

An applicant should submit only one application (and not more than one) for the total number of Equity shares required. Two or more applications in single and/or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same. The Board reserves the right to reject in its absolute discretion all or any multiple applications without assigning any reason.

### **Multiple Applications By Mutual Funds**

A separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such application will not be treated as multiple application provided that the applications made by the AMCs / Trustees / the custodians clearly indicate the intention as to each scheme for which application has been made.

### **Application Under Power Of Attorney Or By Limited Companies:**

In the case of applications under Power of Attorney or by Limited Companies or Corporate Bodies, the relevant power of attorney or the relevant authority as the case may be, or a duly certified copy thereof must be attached to the application form or must be lodged separately at the office of the Registrars to the Issue, simultaneously

With the submission of the application form mentioning the serial number of the application form and the bank branch where the application has been submitted, failing which the application is liable to be rejected.

Magistrate or Notary Public or a special Executive Magistrate under his official seal must attest Thumb impression or signature in languages other than the languages specified in the eight schedules.

## **APPLICANT'S DEPOSITORY ACCOUNT DETAILS**

The Applicant has an option to hold the equity shares in physical form or in dematerialised form. The Applicant is required to indicate his option in the application form at the place provided therein. The Applicants are required to mention their Depository Participants name, DP-ID and Beneficiary Account No. in the application form. In case of Application Forms submitted in joint names, it may be ensured that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Application Form. The investor has an option to receive allotment of securities in dematerialised form through any of the depositories.

## **APPLICATION (S) WILL NOT BE ACCEPTED BY THE LEAD MANAGERS OR REGISTRARS TO THE ISSUE**

### **Disposal Of Applications And Despatch Of Refund Orders:**

No receipt will be Issued for the application money. However, the bankers/collection center to the Issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form. The Company will inform the applicants in respect of allotments made or applications rejected by despatch of allotment letter or regret letter and/or pay orders of value over Rs.1500/-, if any, by Registered Post within 10 weeks of the date of closure of the subscription list. Refunds of value not over Rs.1500/- will be dispatched under Certificate of Posting. Such Cheques or Demand Drafts will be payable at par at all centers

where the applications were received. Bank Charges, if any, for encashing refund pay orders/cheques at any other place will be payable by the applicant.

The Board reserves, at its sole, absolute and uncontrolled discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Act. In case of any delay in sending the refund orders by more than eight days beyond 10 weeks from the date of closing of the subscription list, interest will be paid at the rates prescribed under Section 73 of the Act, to such applicants.

The Company undertakes to make available to the Registrars to the Issue, adequate funds for allotment letters/share certificates to be sent by registered post.

The sums received in respect of the Public Issue will be kept in separate Bank account (s) and the Company will not appropriate the funds unless approval of the Designated Stock Exchange at Hyderabad is obtained for allotment and no Utilisation shall be made till listing approval is available from each of the Exchanges where listing has been proposed.

### **BASIS OF ALLOTMENT**

Allotment will be made in consultation with the Hyderabad Stock Exchange.

In the event of over-subscription, the allotment will be made on a proportionate basis in marketable lots as given below

- a. Applicants will be categorised according to the number of Shares applied for.
- b. The total number of Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Shares applied for in that category multiplied by the inverse of the over-subscription ratio (number of applicants in the category x number of Shares applied for).
- c. The number of Shares to be allotted to the successful allottees will be arrived at on a proportionate basis (i.e. Total number of Shares applied for into the inverse of the over-subscription ratio).
- d. For applications where the proportionate allotment works out to less than 100 Shares the allotment will be made as follows:
  - (i) each successful applicant shall be allotted 100 Shares; and
  - (ii) The successful applicants out of the total applicants for that category shall be determined by the withdrawal of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (b) above.
- e. If the proportionate allotment to an applicant works out to a number that is more than 100, but is not a multiple of 100 (which is the marketable lot), the number in excess of the multiple of 100 shall be rounded off to the higher multiple of 100 if that number is 50 or higher.
- f. that number is lower than 50, it shall be rounded off to the lower multiple of 100.
- g. All applicants in such categories shall be allocated shares arrived at after such rounding off.
- h. If the Shares allocated on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allotment shall be first adjusted against any category, where the allocated Shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares
- g. If as a result of the process of rounding off to the nearest multiple of 100 results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board, up to 110% of the size of the issue specified under Para D to the Capital Structure mentioned elsewhere in the Prospectus.

Investors may note that in case of over-subscription, the allotment will be on proportionate basis as mentioned above, subject to the following conditions:

### **ISSUE OF SHARE CERTIFICATES**

Investors may note that allocation of equity shares will be strictly in dematerialized mode. However, investors may get their shares rematerialized after the allocation.

## **UTILISATION OF FUNDS**

All monies received out of this Offer to the Public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Act and the company shall not have access to the funds till allocation and despatch of refund orders, share certificates, confirmation of credit to demat account of the applicant & approval of dealing of shares from HSE

## **RESERVATION FOR SMALL INDIVIDUAL APPLICANTS**

The above proportionate allotments of securities in an issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:

- a) A minimum 50% of the net offer of securities to the public shall initially be made available for allotment to retail individual investors, as the case may be.
- b) The balance net offer of securities to the public shall be made available for allotment to:
  - i) individual applicants other than retail individual investors, and;
  - ii) other investors including Corporate bodies/ institutions irrespective of the number of shares, debentures, etc. applied for.
- c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

However this percentage may be increased in consultation with the Hyderabad Stock Exchange Ltd depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance equity shares would be added to the higher category, the balance equity shares would be added to the higher category and allotment made on a proportionate bases as per relevant SEBI Guidelines.

The drawl of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.

In a public issue of securities, the Executive Director/Managing Director of the Designated Stock Exchange along with the post issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner as per guidelines issued by SEBI RMB (compendium) series circular no. 11(2003) on 14-08-2003 :

The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the designated stock exchange and the public representative (where required) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue. The designated stock exchange shall invite the public representative on a rotation basis from out of the various public representatives on its governing board

## **DEMATERIALISATION**

As per the provisions of the Depositories Act, 1996, the shares of a body corporate can be in a dematerialised form, i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode.

The company has entered into a tripartite agreement with the Registrars and Share Transfer Agent of the company and two depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) vide agreement dated-06.02.2001 and 22.12.2000 respectively.

**THE TRADING OF SHARES UPON LISTING SHALL ONLY BE IN DEMATERISED FORM IN WHICH CASE MARKETABLE LOT WILL BE 1 [ONE], ALTHOUGH INVESTORS HAVE AN OPTION TO HOLD SHARES IN PHYSICAL OR DEMAT FORM.**

**THE APPLICANT HAS AN OPTION TO APPLY IN PHYSICAL OR DEMAT MODE AND IS REQUIRED TO INDICATE THE SAME IN THE APPLICATION FORM.**

An applicant who wishes to apply for shares in the Company must have atleast one Beneficiary Account with any of the Depository Participant (DP) of NSDL/CDSL registered with SEBI, prior to the application. Applicants are required to mention their Depository participant's name, DP-ID and Beneficiary Account No. in the application form, failing which the application liable to be rejected.

Shares allotted to an applicant in the electronic form will be credited directly to the respective Beneficiary Account (with a DP). Names in the share application form should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

The Registrar to the Offer will directly send non-transferable allocation letters/ refund orders to the applicant,

**AARTHI CONSULTANTS PVT. LTD.**

(SEBI Reg.No. INM 0000 9926)  
D.No.; 1-2-285,  
Domalguda, Hyderabad  
Tel.No. 91-40-27642217, 27634445  
Fax No. 91-40-27632184

The application form shall contain space for indicating no. of shares subscribed for in demat & physical shares or both.

No separate applications for demat & physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple applications and rejected accordingly.

In case of partial allotment, allotment will be done in demat option for the shares sought in demat and the balance, if any, will be allotted in physical shares.

The applicant is responsible for the correctness of the applicant demographic details given in the share application form vis-à-vis those with his/her DP. **The Company shall not bear one-time charges payable.**

**SECTION 269 SS OF INCOME TAX, 1961**

In respect of all the above categories eligible to apply to this Issue, having regard to the provisions of Sec 269 SS of the Income Tax Act, 1961 the subscriptions against these applications should not be effected in cash and must be effected by an Account Payee Cheques / Draft, if the amount payable is Rs. 20,000 or more. In case the payment is effected in contravention of this provision, the applications are liable to be rejected.

**DISCLOSURE OF P.A.N. / G.I.R. NUMBER:**

Where an application is for allotment of securities is for a total value of Rs.50, 000/- or more i.e., the total number of securities applied for multiplied by the Issue price is Rs.50, 000/- or more the applicant or in case of application in joint names, each of the applicants, should mention his / her permanent account number allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the Income Tax Circle / Ward / District. In case where neither the permanent account number nor GIR Number has been allotted, the fact of non-allotment should be mentioned in the application form. Application forms without this information will be considered incomplete and will be liable to be rejected.

Further to this, if the amount payable on application is Rs.20, 000/- or more, such payment should not be effected in cash and must be effected only by way of an Account Payee cheque or an Account Payee draft, in terms of Section 269 SS of the Income Tax Act, 1961. Otherwise the application will be rejected and application money refunded without any interest.

**PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:**

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). Application forms without this information will be considered incomplete and will be liable to be rejected.

**ACCESS TO THE FUNDS:**

Subscription received against this offer would be kept in a separate bank account and the company will not have access to these funds so collected until the refund orders / share certificates are despatched and confirmation of credit to the demat account of the applicants & approval of dealing of shares from HSE is received.

**UTILISATION OF ISSUE PROCEEDS**

The Board of Directors of the Company certifies that -

- i) All monies received out of this Issue to the Public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Act.
- ii) details of all monies utilised out of the Public Issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the purpose for which such monies had been utilised; and
- iii) Details of all unutilised monies out of the Public Issue, if any, referred to in sub-item(i) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the form in which such unutilised monies have been invested.

**ALLOTMENT/REFUND ORDERS**

Allotment Letter(s) and/or equity share certificates/Letter of Regret as the case may be together with refund cheques / pay order shall be dispatched by registered post (refund cheques / pay order of value up to Rs. 1500/- by ordinary post under postal certificate) at the sole/first named applicant address within 10 weeks from the date of closing of the subscription list. If such money is not repaid within 8<sup>th</sup> day from the day the company becomes liable to pay. The Company and every Director of the Company who is an officer in default shall on and from the expiry of the 8<sup>th</sup> day be jointly and severally liable to repay that money with interest @ 15% per annum. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears first on the Application form.

The Company, as far as possible, will allot the equity shares within 30 days from closure of the subscription list and pay interest at the rate of 15% p.a, if the allotment is not made and the refund orders are not dispatched to the investors within 30 days from closure of the Issue period for delay beyond 30 days. The Company will also make available adequate funds to the Registrars to the Issue for the purpose of dispatch of Allotment letters/Share Certificates/Refund Orders as stated above.

Where the permission have been sought for dealing and listing of equity shares in the stock exchange(s) referred to above, if such permission has not been granted by the stock exchange(s) within 70 days from the date of closure of the subscription list or where such permission is refused before the expiry of 78 days from the date of subscription list, then the Company shall forthwith repay without interest all money received from applicants in pursuance of the Prospectus, and if any such money is not repaid within eight days after the company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closure of subscription list, whichever is earlier), the company and every director of the company who is an officer in default shall, on and from the expiry of eight days, be jointly and severally liable to repay that money with interest for the delayed period @ 15% per annum, if however, an appeal against the decision of any recognised stock exchange(s) refusing permission for the equity shares to be dealt on that stock exchange has been preferred under section 22 of the Securities Contract (Regulation) act, any allotment made under this Prospectus shall not be void until the appeal is dismissed.

Cheques or pay orders drawn on the bank(s) appointed by the company as refund banker will make refunds. Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant.

**For Applications made by Stockinvest:** The RBI has recently withdrawn the stockinvest facilities vide their Circular No. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated November 5, 2003.

**AS PER SEBI GUIDELINES TRADING IN SECURITIES OF COMPANIES MAKING AN INITIAL PUBLIC ISSUE SHALL BE IN DEMATERIALIZED FORM ONLY.**

**DEPOSITORY OPTION TO INVESTORS**

Trading in the securities shall be in dematerialised form only for all the investors.

As per the provisions of the Depositories Act, 1996, the shares of a body corporate can be in a dematerialised form, i.e. not in the form of physical certificates but be fungible and be represented by the statement Issued through electronic mode. The Company will also opt for this method subject to investors exercising their option to hold the shares in dematerialised form, for which necessary columns have been provided in the respective Application Forms. The investors have an option either to receive the security certificate or to hold the securities with depository.

The Company has applied to the NSDL and CDSL for allotment of ISIN Number.

- a. The Tripartite agreements have been entered between the Company, Registrar and National Securities Depository Limited on 06-02-2001 and Central Depository services (India) limited on 22-12-2001 for offering depository option to investors.
- b. Investors have a option to seek allotment of equity shares in electronic mode and / or physical mode.
- c. Such an option if exercised should be indicated in the relevant blocks in the share application form itself.
- d. Application for electronic and physical shares by the same first applicant will result in rejection of application for shares in the electronic mode and only the application for physical mode will be considered as a valid application.
- e. Investors who wish to apply for equity shares in the electronic form need to have at least one Beneficiary Account with a Depository Participant prior to the application.
- f. Allotment Advice / Refund orders will be directly send to the investors by the Registrar.
- g. If incomplete / incorrect investor account details are given in the application form, it may result in issuance of physical Equity Share Certificate.
- h. Responsibility for correctness of applicant's demographic details given in the Application Form vis-à-vis those with his / her Depository Participant, would rest with the investor.
- i. Shares in electronic form can be traded only in Stock Exchange having electronic connectivity with NSDL./CDSL
- j. The application form shall contain space for indicating number of shares subscribed for in demat and physical shares or both.
- k. No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple application and rejected accordingly.
- l. In case of partial allotment, allotment will be done in demat for shares sought in demat and balance, if any, will be allotted in physical shares.

### **Communications**

All future communications in connection with applications made in the Issue should be addressed to the Registrars to the Issue quoting full name of the sole/first applicant, Application no., number of shares applied for, date, bank and branch where the application was submitted and Cheques/draft no and issuing bank thereof.

### **Despatch of Refund Orders**

The Company shall ensure despatch of refund orders of value over Rs. 1,500/- and share certificates by Registered Post / Speed Post only and adequate funds for the purpose shall be made available to the Registrars by the Issuer Company.

### **Undertaking by the Issuer Company**

The Company undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Issuer Company expeditiously and satisfactorily;
- b. that the Company shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of the basis of allotment;
- c. the company shall ensure dispatch of refund orders of value over Rs.1500/- and share certificates by registered that the funds required for dispatch of refund orders/allotment letters/certificates by registered post/speed post shall be made available to the Registrar to the Issue by the Issuer Company;
- d. that the certificate of the securities/refund orders to the non-resident Indians shall be dispatched within specified time;
- e. that no further Issue of securities shall be made till the securities offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

All information shall be made available by the lead managers and the Offerer to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research of sales reports, at collection centers etc.

**Utilisation of Issue Proceeds**

The Board of Directors of the Company certifies that:

- a. All monies received out of this Issue from the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956.
- b. Details of all monies utilised out of the public Issue referred to in sub item (I) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the purpose for which such monies had been utilised, and
- c. Details of all unutilised monies out of the public Issue, if any, referred to in sub-item (I) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the form in which such unutilised monies have been invested.
- d. The utilization of monies received under Promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the Balance Sheet of the Company indicating the Purpose for which such monies have been utilised.
- e. The details of all unutilised monies out of the funds received under Promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the Balance Sheet of the Company indicating the form in which unutilised monies have been invested.

The Company shall not have the access to the Issue proceeds till approval for dealing of Equity Shares from all the Stock Exchanges where listing is sought is received.

**TAX BENEFITS**

The Company has been advised by "M/s. P. Murali & Co" Auditors of the Company, vide their letter dated 04.08.2003 that under the current provisions of Income Tax Act 1962 and existing laws for the time being in force, the following benefits inter-alia will be applicable to the Company and the members.

The company being the 100 % Export oriented company and the company is entitled for the exemption under section 10 B of the Income Tax Act, 1961 and for the financial year ended 31-03-2003 the company is entitle to get the tax benefit upto 90 % of its export profit proportionately and the balance will be subject to tax.

The Company will be entitled to deduction of the relevant amount from its total income chargeable to Income Tax, calculated otherwise than under the provisions of Section 115JB of the Income Tax Act, 1961, in respect of any expenditure incurred or any amount paid, subject to compliance of certain conditions laid down in

Section 35 (1) (i) and (iv) of the Income Tax Act, 1961 in respect of any revenue expenditure incurred or any capital expenditure incurred other than the expenditure incurred on the acquisition of any land, on scientific research related to the Business of the company to the extent of the expenditure incurred.

Section 35(1)(2AB) of the Income Tax Act, 1961, in respect of any expenditure not being capital expenditure in the nature of cost of any land and building on in-house research and development facility as approved by the prescribed authority and enters into an agreement with the prescribed authority for co-operation in such research and development facility, to the of a sum equal to one and one-half times of the expenditure so incurred.

Section 35 (1) (ii) and (iii) of the Income Tax Act, 1961 in respect of any sum paid to a scientific Research Association which has as its object of undertaking scientific research or to any approved university, college or other institution to be used for scientific research or for research in social science or statistical Research to the extent of sum equal to one and one fourth of the sum paid.

2 Subject to Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 the Company will be entitled to a deduction for depreciation

In respect of tangible assets and intangible assets being in the nature of know-how, patents, copyrights, trade marks, licences, franchises or any other business or commercial rights of similar nature acquired on or after 01' day of April, 1998 at the rates prescribed under the Income Tax Rules;

In respect of machinery or plant which has been acquired and installed after 31.3.2002 for the purpose of new industrial undertaking or in respect of the existing manufacturing facilities which benefits in increasing the installed capacity by not less than twenty five percent a further sum of 15 % of the actual cost of such machinery or plant will be allowed a deduction;

3. Subject to compliance of certain conditions laid down in section 80HHC of the Income Tax Act, 1961 the company will be entitled to the benefit of deduction from its total income chargeable to income tax, of an amount equal to, 50% and 30% of profits for financial year 2002-03 and 2003-04 respectively, derived from the export of goods out of India, the proceeds where of are realised in convertible foreign exchange, to the extent calculated in accordance with the provisions of the said section.

4. Subject to compliance of certain conditions laid down in Section 80M of the Income Tax Act, 1961 the Company is entitled to the deduction in respect of the dividends received from other domestic companies to the extent of dividends distributed by it on or before the due date of filing the Return of Income of the relevant year.

**B. BENEFITS TO THE MEMBERS:**

**I. UNDER INCOME TAX ACT, 1961:**

**(a) RESIDENT MEMBERS:**

1. Under the Provisions of Section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, the gains if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

2. Under the Provisions of Section 112 of the Income Tax Act, 1961 subject to compliance of certain conditions, w.e.f 1" April, 1999, the tax on the Long Term Capital Gains arising on sale of the equity shares of the company on being listed with the stock exchanges will be lower of 10% (plus Surcharge, if any) of Capital Gains (Computed without indexation benefit) or 20% (Plus Surcharge, if any) of Capital Gains (Computed with indexation benefits).

3. In accordance with and subject to the conditions and to the extent specified in Section 64 EC of the Income Tax Act, 1961, the Shareholders would be entitled to exemption from long Term Capital Gains on sale of shares of the company upto investment made out of long Term Capital Gains arising from the sale of such shares in any specified Bonds issued by National Bank for Agriculture and Rural Development (NABARD), National Highways Authority of India (NHAI), Rural Electrification Corporation of India (RECI), Small Industries Development Bank of India (SIDBI) and National Housing Bank (NHB).

4. In accordance with and subject to the conditions and to the extent specified in Section 54 ED of the Income Tax Act, 1961, the Shareholders would be entitled to exemption from Long Term Capital Gains on sale of shares of the company on being listed upto investment made out of Long Term Capital Gains arising from the sale of such shares in acquiring equity shares of an eligible issue of capital by a public company formed and registered in India offered for subscription to the public.

5. In case of shareholder, being an individual or Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Income Tax Act, 1961 the shareholders would be entitled to exemption from Long Term Capital Gains on sale of their shares in the company upon investment of Net consideration in purchase/construction of a residential house.

6. Under Section 80L of the Income Tax Act, 1961 in case of Individual or HUF Dividend from shares of the Company along the income from other eligible securities or categories of income mentioned in that section, is deductible from Gross Total Income to the extent of Rs.12,0001/-.

7. Under Section 194 of the Income Tax Act, 1961 in respect of shareholder being an Individual and the dividend distributed or paid during the year is not exceeding Rs. 10001- no tax will be deducted at the time of payment of the dividend on shares of the Company.

**B. NON-RESIDENT MEMBERS:**

In case of Non-Resident Shareholders, if the shares in the company have been acquired or purchased with, or subscribed to, in convertible foreign currency:

- a. The Long Term Capital Gains on Sale of shares in the company shall be charged to tax at the rate of 10% (Plus Surcharge as applicable) without aggregating any other income earned in India, which is taxed separately as specified in clause (b) to Section 115E.
- b. The long Term Capital Gains on sale of shares in the company shall be exempted from tax upon investment of Net consideration in any specified assets as specified in sub section (1) to Section 115F within six months from the date of Transfer of shares. The amount so exempt from tax shall, however, be chargeable to tax, if the new asset is transferred or converted into money within three years from the date of acquisition of the specified new asset.
- c. Under Section 115 G of the Income Tax Act, a Non-Resident Indian is not obliged to file a Return of Income under section 139(1) of the Income Tax Act, 1961, if his total income consists only of income from investments and/or long term capital gains earned on transfer of such investments and tax has been deducted at source from such income under the provision of Chapter XVII-B of the income Tax Act, 1961.
- d. Under Section 115H of the Income Tax Act, where a Non- Resident Indian becomes assessable to tax in India, in relation to any previous year, as resident in India in respect of his total income of any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with his Return of Income under Section 139 for the assessment year for which he is so assessable, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any foreign exchange asset, being asset of the nature referred to in sub clause (ii) to sub clause (v) of the sub clause(f) of Section 115C of the Income Tax Act, in which case the provisions of Chapter Xii A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.
- e. Under Section 115I of the Income Tax Act, a Non-resident Indian has the option of not being governed by the provision! of Chapter XII-A for any assessment year, whereby his total income for that assessment year (including income arising out of investment in the Equity Shares of the Company) will be computed according to the other provisions of the Act and will, therefore, be eligible to get concessions applicable to a Resident individual and will be liable to tax.
- f. Under the provisions of Section 48 of the Income Tax Act, 1961, Capital Gains arising to a Non-Resident from the transfer of Capital Asset being shares in the company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer of the capital assets into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in terms of such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares of the Company.

**C. FOREIGN INSTITUTIONAL INVESTORS:**

1. Subject to certain conditions laid down in Section 115AD of the Income Tax Act, Foreign Institutional Investors will be charged to tax at 20% (plus Surcharge as applicable) on dividend from shares of the Company, at 10% (plus Surcharge as applicable) on the Long Term Capital Gains arising from the transfer of the shares of the Company and at 30% surcharge as applicable) on Short Term Capital Gains arising from the transfer of the shares of the Company.

**D. MUTUAL FUNDS:**

1. Under the provisions of Section 10(23D) of the Income Tax Act, any income including dividends from shares of the Company, earned by a mutual fund set up by a public sector bank or a public financial institution or authorised by the Securities and Exchange Board of India or the Reserve Bank of India, will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

**II. UNDER WEALTH TAX ACT, 1957:**

The member of the company will not be liable to pay any Wealth Tax in respect of Shares held by them since the same are not covered under the definition of "ASSETS" under section 2 (EA) of the Wealth Tax Act, 1957.

**III. UNDER GIFT TAX ACT, 1958:**

With effect from 1<sup>st</sup> October 1998 no gift tax shall be levied on gift of shares of the Company.

**IV. PARTICULARS OF THE ISSUE****OBJECTS OF THE ISSUE**

The present Issue of equity shares is being made:

- To update existing machinery consisting of hardware and software.
- To meet overseas marketing expenses of the company's products
- To meet working capital requirements
- To meet the expenses of the Initial Public Issue.
- To list the Equity shares of the Company on the Stock Exchange.

**PROJECT COST****COST OF THE PROJECT AND MEANS OF FINANCE**

The total cost of the existing project is 879.57 lacs and the proposed project cost is Rs.233.00 lacs. The cost of the project and means of finance is not appraised by any Bank or Financial Institution and are based on company's own estimates.

The company is raising part of funds for Fixed Assets creation, which is disclosed as follows:

**COST OF THE PROJECT**

Rs.in lacs

Particulars	EXISTING 31-03-2003	PROPOSED	TOTAL
Building	236.25		236.25
Hardware & Software	86.04	91.63	177.67
Furniture & Fixture	53.95		53.95
Interiors	65.93		65.93
Air conditioners & Electrical	41.73		41.73
Misc. Fixed Assets	15.97		15.97
Product Development & Marketing Expenses	41.21	93.05	134.26
Preliminary & Pre-operative Expenses	0.07		0.07
Investment in Foreign Branch		25.00	25.00
Public Issue Expenses		23.32	23.32
Net Current Assets (Working Capital)	338.42		338.42
<b>Total Cost Of the Project</b>	<b>879.57</b>	<b>233.00</b>	<b>1,112.57</b>

**MEANS OF FINANCE**

Rs.in lacs

Particulars	EXISTING 31-03-2003	PROPOSED	TOTAL
Promoters and Associates	696.70		696.70
Public		233.00	233.00
Reserves & Surplus	121.61		121.61
Working Capital Term Loan			
Deferred tax Liability	37.75		37.75
<b>Total Finance for the Project</b>	<b>879.57</b>	<b>233.00</b>	<b>1,112.57</b>

In Case of Shortfall in the Issue proceeds, the Company will explore alternative options including Unsecured Loans, from the Promoters. The excess money raised through the issue if any, shall be used for meeting the working capital requirements of the Company

**SOURCES AND DEPLOYMENT OF FUNDS**

The details of funds deployed and sources of funds as certified by the Statutory Auditors of the Company, M/s P. Murali & Co., Chartered Accountants, vide their certificate dated 04.12.2003 are as follows

Rs. In lakhs

Particulars	31-03-2000	31-03-2001	31-03-2002	31-03-2003	30-11-2003
Share Capital and Application Money	163.61	576.00	576.00	696.70	696.70
Reserves & Surplus	3.69	28.43	78.62	121.60	175.29
Secured & Unsecured Loans	-	25.00	43.11	23.51	152.64
Creditors for Capital Goods	-	83.26	0.66	-	-
Deferred Income Tax Liability	-	-	-	37.75	39.29
<b>TOTAL</b>	<b>167.30</b>	<b>712.69</b>	<b>698.39</b>	<b>879.56</b>	<b>1,063.92</b>
<b>DEPLOYMENT</b>					
Building	-	226.00	236.25	236.25	236.25
Hardware & Software	28.56	115.40	105.33	86.04	69.96
Furniture & Fixtures	5.88	51.17	58.06	53.95	51.18
Interiors & Civil Works		56.90	70.97	65.92	62.57
Air conditioners & Electricals	2.62	29.42	43.99	41.73	40.22
Miscellaneous Fixed Assets	6.52	10.67	15.83	15.97	15.86
Capital Work-in-progress	-	33.08	0.00	0.00	-
Product Development Expenses	-	-	-	41.21	41.21
Net Current Assets	113.18	161.34	167.88	338.42	546.60
Preliminary & Pre-operative Expenses	10.54	28.71	0.08	0.07	0.07
<b>TOTAL</b>	<b>167.30</b>	<b>712.69</b>	<b>698.39</b>	<b>879.56</b>	<b>1,063.92</b>

The entire equity raised through Public Issue will be deployed in the proposed project. If there is any delay in the implementation of the project due to unforeseen circumstances the proceeds shall be kept in the Company's separate account in the bank, earning interest for the Company.

**The Break-up of Net Current Assets of M/s. Chakkilam Infotech Limited [CIL] is as under:**

Particulars	2002	2003	30.11.2003
Work in Progress	91.14	276.09	482.25
Cash & Bank balances	11.92	1.18	0.86
Advances & Deposits	71.81	91.74	96.87
Less: Current Liabilities & Provisions	11.65	30.59	33.58
Net Current Assets	<b>167.88</b>	<b>338.42</b>	<b>546.60</b>

Source: Audited Annual Accounts of the Company for the respective financial years.

**Year Wise Break-Up Expenditure To Be Incurred**

Since, the entire issue amount is to be spent during the year 2004, the year wise break-up is not applicable.

**BUILDING**

The Registered Office of the Company has been purchased from Smt C Durga admeasuring 4450 sft in 1<sup>st</sup> floor shop No(s) 106 & 107, located at 63-456/c MGR Estates, Dwarakapuri Colony, Punjagutta Hyderabad for a purchase consideration of 1,11,25,000/- for setting up Software Development Center

Sale agreement dated: 18-09-2000  
Vendor: Smt. C.Durga  
Vendee: Chakkilam Infotech Limited  
Purchase Consideration: Rs.1, 11,25,000/-  
Advance paid: Rs. 1, 11,25,000/-

The following are the principal terms and conditions:

1. That the party of the first part agrees to get registered the sale deed for the sale of the area along with undivided share of land in favour of the second party or her nominee.
2. That the party hereby agrees to deliver to the second party vacant possession of area on first floor.
3. The promoters shall be entitled to construct further floors of the building complex after obtaining necessary permission from Municipal authority or the Government, the promoters accordingly are retaining proportionate undivided share of land.
4. The second party shall not at any time demolish his area or any part of the building including the common areas and other conveniences necessary for proper utility of the building. The second party shall not make any additions or alterations or the M.C.H plan for his area or to any part of the building.

The issuer company has obtained necessary permission / clearance from the concerned departments for registering the Registered Office and awaiting for its registration in the name of the company.

Mr. B.V.Rama Raju, the Government approved valuer bearing Reg.No.: 169/93; has valued the building at Fair Market Value basis at the cost of Rs.2,36,25,000, vide certificate dated 09.12.2003

2. The Company has also taken premises on lease for carrying on Medical Transcription lease from Smt P Naganandini & others admeasuring 3000 sft. 2<sup>nd</sup> and 3<sup>d</sup> floors Situated at 1-2-285, Domalguda , Hyderabad for a period of 3 years with increase of 10% from 2<sup>nd</sup> year onwards renewable thereafter upon mutually agreed terms. The following are the principal terms and conditions:

Lease Agreement dated : 23-06-2003

Lessors : 1.Smt.Naganandini, 2.M/s. .M.N. Estates Pvt. Ltd., 3.Smt.P.S.Vasantha, 4. M/s. A.M.N. Hotels P.Ltd.

Lessee : M/s. Chakkilam Infotech Limited.

Rent : Rs 25,000/- per month

Lease Period : 4 Years

1. The rental agreement shall be for a period of 4 years commencing with retrospective effect from 1<sup>st</sup> of May 2003.
2. That the rent shall be paid on or before 5<sup>th</sup> of every English calendar month.
3. That the party of the second part shall not be entitled to carry out any alterations, deletions or renovations to the building with out the prior written consent from the party of the first part.

Since the issuer company has paid only one-month rent in advance to Smt. P. Naganandini & others.

3. The Company has also purchased commercial area in sixth floor of M.G.R estates bearing Municipal No.6-3-456/C with an area of 5000 Sq ft. including common areas fully described in the schedule of property enclosed, constructed on the said plot along with undivided share of land for total sale consideration of Rs.1,25,00,000/- (Rupees One Crore Twenty five lakhs only) for setting up GIS and CAD division.

Sale agreement dated: 14-09-2000

Vendor: Chakkilam Constructions Pvt. Ltd.

Vendee: Chakkilam Infotech Limited

Purchase Consideration: Rs.1,25,00,000/-

Advance Paid: Rs. 1,25,00,000/-

The following are the principal terms and conditions:

1. The second party shall make the above payment to the first party within sixty days from the date of this agreement towards consideration for the purchase of above said area, which the party hereby agrees for the same.

2. That the party of the first part agrees to get registered the sale deed for the sale of the area along with undivided share of land in favour of the second party or his nominee.
3. The promoters shall be entitled to construct further floors of the building complex after obtaining necessary permission from Municipal authority or the government, the promoters accordingly are retaining proportionate undivided share of land.
4. The second party shall not at any time demolish his area or any part of the building including the common areas and other conveniences necessary for proper utility of the building. The second party shall not make any additions or alterations or the M.C.H plan for his area or to any part of the building.

**DETAILS OF EXISTING HARDWARE AND SOFTWARE**

NOTE: The Promoters /Directors of the company are not in any way interested in the transaction for purchase of the assets.

SI.No	Name of the Machine with specifications	Name of the Supplier	Amount (in Rs.)	Date
1	40 GB Hard Disk	Sri Chaitania Computers	4,150	21-Feb-03
2	15 inch Colour monitor with speaker	Sri Chaitania Computers	11,250	20-Feb-03
3	MS Project 2002	SP Software Private Ltd.	60,000	21-Dec-02
4	MS Office XP-4LIC, MS Office XP PRO WIN 32 ENG, MS WINDOWS 2000, MS Visual Studio	Softcell Technologies Ltd	339,822	9-Jun-02
5	Pre operative Expences being Capitalised		1,302,258	31-Mar-02
6	Income Tax Package	Bizarre Prerana Software Solutions (P) Ltd.,	2,500	2-Oct-01
7	Server PC(2)Intel Pentium III 800 MH2 and Client PC633 MHz	Microplus Computers	594,000	2-May-01
8	17" SAMTRON COLOR MONITOR	Cachie Peripherals	843,750	31-Mar-01
9	HP DJ 1125C PRINTERS	Cachie Peripherals	90,000	31-Mar-01
10	Intel Pentium HP Service, MS Visual Studio, Windows 2000 etc.,	J.S.Soft Merchants (P)Ltd	2,100,000	31-Mar-01
11	Intel Pentium III 550 Mhz	Cachie Peripherals	933,750	31-Mar-01
12	HP BRIO Pentium III 550 mhz	Cachie Peripherals	619,840	22-Jan-01
13	8 Port D-Link 10/100 Mbps Hub Stacacable, Information Outlets, Patch cords	Sri Soft Solutions	76,466	4-Dec-00
14	HP LASER JET 1100 PRINTER		26,767	4-Dec-00
15	U MAX SCANNER 3400U	Sri Computers & Data Solutions	6,000	22-Nov-00
16	ACE 56 KBPS- EXTERNAL MODEM	Zoom Technologies	4,600	16-Sep-00
17	Acquisition the Medical Transcription Division from Aarthi Comptec Limited with the Hardware and Software	Aarthi Comptec Limited	3,150,411	22-Jun-00
18	Mouse RAMS etc	SV Electronics	5,910	8-Jun-00
19	HP BRIO BA 600 P-III 550 Mhz 64 MB Ram	Sri Soft Solutions	612,560	3-Jun-00
20	MAX TECH 33.6KBPS MODEM with all accessories	Zoom Technologies	2,600	16-May-00
21	HP BRIO PENTIUM -III 550 MHz 8.4 GB Hard Disk	Sri Soft Solutions	247,936	18-Apr-00
22	HP BRIO P-III 550 Mhz 64 MB RAM	Sri Soft Solutions	247,936	18-Apr-00

23	Intel Original Mother Board , AGP with 16 MBV Ram	Sri Soft Solutions	1,747,000	31-Mar-00
24	Intel PIII 450 MHz processor, Sony 1.44 FDD	Sri Soft Solutions	1,079,280	31-Mar-00
25	Mother Board Intel with Dual Processor , 550 MHz Intel PIII processor	Sri Soft Solutions	150,000	31-Mar-00
26	HP BRIO BA 600 P-III 550 MHz 64 MB	Sri Soft Solutions	619,840	4-Mar-00
	Gross Block		14,878,626	
	Less Depreciation		78,82,760	
	<b>Net Block</b>		<b>69,95,866</b>	

**FURNITURE & FIXTURES**

S.No	Particulars	Name of the Supplier	Amount Rs.	Date
1	Dias and Centre Managers Table and Black powder 8X4'	Inter Décor	20,130.00	10/11/00
2	Lab chairs and miscellaneous electrical fittings	Inter Décor	11,583.00	9/9/00
3	Chairs and Toilets etc., repairing charges	Inter Décor	2,550.00	6/27/00
4	Acquisition of Medical Transcription Division with the interiors worth	Aarathi Comptec Limited	4,766,049.00	6/22/00
5	Counseling Table and miscellaneous repairing charges	Inter Décor	9,105.00	6/12/00
6	Partitions – 181.215ft@110	Inter Décor	19,934.00	6/10/00
7	Front Elevation Main door etc.,	Inter Décor	597,000.00	3/27/00
8	Saloon Palm, Japanese Muple Anthorium etc.,	Art Creations	12,100.00	6/8/00
9	25 Chairs @ Rs.325/-	A P Furniture's	8,125.00	8/8/00
10	25 Chairs @ Rs.325/- & 5 1/2 books rack	A P Furniture's	10,725.00	8/8/00
11	Plywood	Sai Lamination	13,898.00	9/21/00
12	Plywood	Sai Lamination	1,855.00	9/30/00
13	Executive Chair	Wood wagon	4,100.00	11/23/02
15	Capital Work in progress Capitalised		552,000.00	
16	Pre-operative exp Capitalised		541,543.00	
	Gross Block as on 30-11-2003		6,570,697.00	
	Less Depreciation		14,52,969.00	
	Net Block as on 30-11-2003		<b>51,17,728.00</b>	

**DETAILS OF EXISTING INTERIORS**

SI.No	Particulars	Name of the Supplier	Amount Rs.	Date
1	Designing and Execution of Infotech Office at First floor Total area furnished 1172 sft. @ 900 per sft.	Inter Décor	1,096,000.00	1/2/00
2	4"Brick Wall, 2 Coats plastering Door Frames Flooring, Toilets walls flooring with tiles	Chakkilam Constructions	1,133,383.00	4/29/00
3	Toilets walls, flooring tiles replacement, painting works	Chakkilam Constructions	1,247,050.00	5/30/00

4	Walls dismenting, removing and plastering, flooring replacement, sanitary fittings replacement and door shutters and window shutters replacement	Chakkilam Constructions	1,298,007.00	6/30/00
5	Electrical works (with material and labour) and sanitary fittings replacement	Chakkilam Constructions	66,114.00	7/29/00
6	Acquisition of Medical Transcription Division with the interiors worth	Aarathi Comptec Limited	1,233,433.00	22-Jun-00
7	Interior works	Inter Décor	1,290,747.00	
8	Preoperative exp capitalised		601,004.00	
	Gross Block as on 30-11-2003		7,965,738.00	
	Less Depreciation		17,09,141	
	Net Block as on 30-11-2003		<b>62,56,597</b>	

#### DETAILS OF THE EXISTING AIR CONDITIONERS & ELECTRICALS

The following are the details of the Air conditioners and electrical fittings , which the company has purchased for the office purposes

Sl.No.	Name of the Machine with specifications	Name of the Supplier	Bill Amount	Date
1	Split A/C 1.5 T Universal – (4)	Voltas Limited	264,216.00	25-3-00
2	Split A/c.1.5 TR COMPAVT – 1 NO.	Voltas Limited	40,784.00	25-3-00
3	2,3,5KVA on line UPS SYSTEM	Access Power Care Systems	209,200.00	31-3-00
4	Split A/c.- 1.5TR universal	Voltas Limited	33,340.00	7-4-00
5	Split A/c. – 1.5 TR HW	Voltas Limited	45,450.00	7-4-00
6	Window Ac.1.0 TR RAC	Voltas Limited	19,950.00	7-4-00
7	Split A/c.3.0 TR Universal – 2 No.	Voltas Limited	132,108.00	7-4-00
8	Window AC-0.8 TR RAC- 1 no.	Voltas Limited	17,000.00	21-4-00
9	Supply and fixing of 4' x 1' mirror optics false ceiling fixtures complete with wiring @Rs.3000/- each required 137.35 sets	Inter Décor	412,000.00	27-3-00
10	Universal Split Installation	ASM Air-conditioning Pvt. Ltd.,	19,000.00	29-4-00
11	Window Installation Charges	ASM Air-conditioning Pvt. Ltd.,	23,600.00	27-4-00
18	As per agreement(copy enclosed)	Arthi Comptec Ltd	712,046.00	22-6-00
19	Voltas Vectra 3.0T split air conditioner(5)	Voltas Ltd	356,120.00	2-5-00
20	Voltas Vectra 2.0T split air conditioners(5)	Voltas Ltd	220,680.00	25-9-00
21	12v local automotive batteries(4),12V 180 local automotive batteries(9) 12v.200(10)	Access Power care systems	95,000.00	31-3-01

22	3KVA ONLINEBUPS SYSTEM ( 5 ) &12V.200(20)	Access Power care systems	308,600.00	19-8-00
23	200 local automotive batteries(15)	Access Power care	63,750.00	3/7/00
24	3kva online ups systems & 12 V 200 (5 )	Access Power care	65,970.00	19-1-01
25	200 ah local automotive batteries (12)	Access Power care	51,000.00	31-3-01
26	Universal Split Installation	Voltas Ltd	69,000.00	5/2/01
27	Universal Split Installation	Voltas Ltd	44,000.00	5/25/01
28	Capital work in progress - Capitalised		1,250,490.00	
29	Pre-operative expenses- Capitalised		305,728.00	
	Gross Block as on 30-11-2003		<b>4,759,032.00</b>	
	Less Depreciation		7,36,890.00	
	Net Block as on 30-11-2003		<b>4,22,142.00</b>	

**MISCELLANEOUS FIXED ASSETS**

Sl. No	Name of the Machine with specifications	Name of the Supplier	Bill Amount (Rs.)	Date
1	Zoom "U" Interface TA	Zoom Technologies	15,000.00	6/4/00
2	Sibel Course	Sibel Information Services	12,000.00	29-6-00
3	Financial Mgt & Inventory Mgt. Software	Exponentia Info Systems	12,000.00	9-6-00
4	Financial Mgt & Inventory Mgt. Software -Modifications	Exponentia Info Systems	3,350.00	9-6-00
5	1/3"CCD COLOR CAMERA with 3.6/4/6/8/12 mm fixed lens, with built in Electronics Iris, with a resolution of 380 TV Lines etc.,	Techno Security Systems	83,592.00	1-4-00
6	SIEMENS AG make Hybrid Digital ISDN Key Telephone System HICOM 150 - E Office	Telecom World	653,000.00	23-3-00
7	Telephones	Telecom World	10,337.00	15-5-00
8	Neon Sign Board	Glow Plastic Sign's	26,675.00	2-3-2000
9	1/3"CCD COLOR CAMERA	Techno Security Systems	14,000.00	10-7-00
10	29" Sansui Color TV	Sai Electronics	21,000.00	13-9-00
11	FAX Machine	Aakash Industries Ltd	18,000.00	28-11-00
12	Cease Fire - Fire extinguishers	Cease Fire ( I ) Ltd	6,000.00	13-6-00
13	Head Phone - for MT division	MX Electronics	5,000.00	13-6-00
14	TCL TV	Sai Electronics	18,500.00	13-3-01
15	Telephones	Hotline communications	28,638.00	7-4-00
16	Telephones	Telecom World	26,000.00	8-4-00
17	Telephones	Aadarsh Communications	7,260.00	15-5-00
18	Telephones	Telecom World	14,865.00	15-5-00
19	Refrigerator	Tirumala Music Center	6,600.00	27-5-00
20	Water Cooler	Bluestar Ltd	10,000.00	24-4-00

21	As per Agreement (Copy enclosed )	Aarthi Comptec Ltd	138,061.00	22-6-00
22	Trade mark Registration	Krishna Murthy	16,000.00	5/22/02
23	Batteries	Shiva Agencies	34,800.00	11/6/02
24	Batteries	Shiva Agencies	29,000.00	11/7/02
25	Cost of RAM	DS Peripherals	11,400.00	11/15/02
26	Telephones	Hotline communications	1,550.00	11/20/02
27	Batteries	Shiva Agencies	3,480.00	12/16/02
28	Capital Work in progress Capitalised		481,270.00	
29	Pre-operative exp Capitalised		111,799.00	
30	Additional Batteries	Access Power care systems	30,000.00	03.05.2003
31	Foot pedals		17,400.00	11.07.2003
	<b>Gross Block as on 30-11-2003</b>		<b>1,866,577.00</b>	
	Less Depreciation		2,80,747.00	
	<b>Net Block as on 30-11-2003</b>		<b>15,85,830.00</b>	

The company acquired the Medical Transcription Division from Aarthi Comtec Limited for total purchase consideration of Rs. 100 lacs.

The following deposits are included under the head Net Current Assets as shown in Cost Of the Project

#### DEPOSITS

Sl. No	Particulars	Amount(Rs. in lacs)
1.	Advance to Employee Trust	50.00
2.	Security Deposit	15.00
3.	Other Deposits	00.60
	Total	<b>65.60</b>

#### PUBLIC ISSUE EXPENSES

The expenses towards public Issue are estimated at Rs.23.32 lakhs towards Issue management fee, Registrars fee, advertisement, stationery, statutory expenses, postage and other miscellaneous expenses.

PUBLIC ISSUE EXPENSES	Rs. Lakhs
Fee to Lead Managers & Registrar's	1.85
Advertisement	5.25
Printing(Prospectus, Application, Etc.)	4.85
Brokerage & incidental Expences	3.00
Listing Fee	0.75
Miscellaneous Expenses (includes cost of traveling etc.,)	7.62
<b>Total</b>	<b>23.32</b>

#### BREAK UP OF PROPOSED COST OF EXPANSION

##### FOR LINUX & NT/2000 DOMAIN: APPLICATION & PRIMARY DOMAIN SERVERS:

Description	Rate	Qty	Name of the Supplier	Total Amt
IBM NETFINITY X350 SERVER.	8,95,000.00	2	Fourth	17,90,000

Intel PIII XEON single 700 MHz processor (Max.up to 4 processor),L2 Cache-1MB,1GB ECC SDRAM DIMM Chipkill(max.16GB Chipkill memory standard),Integrated Dual Channel PCI Ultra 160 SCSI adaptor,64Bit Active PCI,10/100 Mbps Ethernet Card,18.2 GB x 4 Nos. Ultra 160 SCSI HDD(10K rpm) (Max.440.4GB Memory),10/100 PCI ADAPTOR, / Redundant Ethernet card, IBM NETFINITY SERVER RAID-4Lx ,Ultra 160 SCSI Adaptor, IBM 3PACK ULTRA 160 HOTSWAP EXPANSION KIT,40X CD ROM Drive,1.44MB FDD, Additional 270W HOT SWAP REDUNDENT POWER SUPPLY, Server Guide, Netfinity Director,20/40 DDS/4(4mm) Int. DAT DRIVE,54 E IBM 15" Colour Monitor			Dimension technologies Pvt Ltd	
<b>FOR DATABASE SERVER : IBM NETFINITY X350 SERVER.</b>	<b>20,33,000.00</b>	<b>1</b>		<b>20,33,000</b>
Intel PIII XEON TWO Nos. of 900MHz processor (Max.up to 4 processor), L2 Cache-2MB, 2GB ECC SDRAM DIMM Chipkill (max.16GB Chipkill memory standard), Integrated Dual Channel PCI Ultra 160 SCSI adaptor, 64Bit Active PCI, 10/100 Mbps Ethernet Card, 18.2 GB x 5 Nos. Ultra 160 SCSI HDD-10K rpm, (Max.440.4GB Memory), 10/100 PCI ADAPTOR FOR SERVER / Redundant Ethernet card, IBM NETFINITY SERVER RAID-4Mx, Ultra 160 SCSI Adaptor, IBM 3PACK ULTRA 160 HOTSWAP EXPANSION KIT, 40X CD ROM Drive, 1.44MB FDD, Additional 270W HOT SWAP REDUNDENT POWER SUPPLY, Server Guide, Netfinity Director,20/40 DDS/4(4mm) Int. DAT DRIVE,54 E IBM 15" Colour Monitor,			Fourth Dimension technologies Pvt Ltd	
<b>FOR SUN SOLARIES DOMAIN : PRIMARY DOMAIN SERVER</b>	<b>9,00,000.00</b>	<b>1</b>		<b>9,00,000</b>
(P/c:A26-UJC1-512MFA1,X311L,X3515A),SUN ENTERPRISE 250 ,SERVER,1x400Mhz, 512MB RAM, 3 x 18.2 GB Int. 10K rpm Ultra SCSI HDD,DVD, 1 x Power Supply, 1.44-MB floppy,PGX32 Card, with Video adaptor,17" NT Sun Colour Monitor (P/c. X7143A), Solaris 8 Pre-installed with Media			Fourth Dimension technologies Pvt Ltd	
<b>12/24 GB 4mm INTERNAL DAT DRIVE FOR E250/E450 SERVER</b>				
<b>IBM DESKTOP:IBM NETVISTA –A22p Series:</b>	<b>60,000.00</b>	<b>20</b>	Fourth Dimension technologies Pvt Ltd	<b>12,00,000</b>
Intel PIII@ 1.5 GHz with intel 845 Chipset, 256 KB Cache, 40 GB HDD, 128MB SDRAM,32 MB VRAM, 48X CD ROM DRIVE, 10/100 Ethernet Card, Win'2K Preloaded and IBM 17" Colour Monitor.				
<b>Hardware Total</b>				<b>5,923,000.00</b>

			<b>Rs.</b>	
<b>SOFTWARE</b>				
IBM Websphere: Websphere Development Studio	1,900,000.00	1	Fourth Dimension Technologies Pvt. Ltd.,	1,900,000.00
Mercuty Interactive: Test Director, Load Runner, Win Runner	385,400.00	1		385,400.00
<b>SQL Server</b> Standard edition ( 10 Clients )	75,000.00	1	Fourth Dimension Technologies Pvt. Ltd.,	75,000.00
SQL Server Enterprise edition ( 25 Clients )	450,000.00	1	Fourth Dimension Technologies Pvt. Ltd.,	450,000.00
SQL Server - Licences ( Per User )	6,000.00	30	Fourth Dimension Technologies Pvt. Ltd.,	180,000.00
Rational Rose Enterprise edition	250,000.00	1	Fourth Dimension Technologies Pvt. Ltd.,	250,000.00
<b>Software Total</b>				<b>3,240,400.00</b>

Hardware and Software Total

9,163,400.00

The Company does not propose to buy any Second Hand Machinery. The Promoters / Directors do not have any interest with the suppliers from whom the Company proposes to purchase hardware and software.

The performance guarantee for the supply of the equipments will be for a period of one year from the date of installation of the equipment in the form of one-year warranty. From the second year onwards, the issuer company will take care of its maintenance.

#### **M/s. Fourth Dimension Technologies Pvt. Ltd**

#### **The details of the proposed supplier of the plant and machinery is as follows:**

Name of the firm: Fourth Dimension Technologies Pvt. Ltd,

Date of incorporation: May 1989

The founder members of the company include:

**Mr. N Jagannathan**, Chief Executive Officer

**Mr.B Rabindranath**, Director

**Mr.Bala J. Raman**, Director

Address: 41- A, MIGH, Andhra Pradesh Housing Board, Sanjeeva Reddy Nagar, Hyderabad - 500 038

#### **Activities:**

- IT Infrastructure Marketing & Management
- Enterprise Solutions configured around servers and latest technology tools
- Network consulting / audit, Network design.
- Design and Implementation of corporate networks (LAN& WAN).
- Remote Access solutions.
- Integration of hybrid networks.
- Network management services.
- Storage, Backup and Recovery solutions.
- Facilities Management
- The issuer company is purchasing all branded items and licensed software

#### **Product Development Expenses**

Working capital requirement is for the development of software products. Those details are as under:

<b>S.No</b>	<b>Particulars</b>	<b>Rs. Lakhs</b>
1	Salaries	36.25
2	Traveling Expense	7.30
4	Allowances:	31.50
5	Demo Expenses	18.00
	<b>Total</b>	<b>93.05</b>

#### **Target Users:**

The HIPAA legislation segments all the requirements primarily into four different categories. The following are the general requirements of these segments that should be met by every service provider. The HIPAA requirements are as follows:

- Electronic Transactions Standards
- Code Sets and Identifiers Standards
- Security Standards
- Privacy Standards

The reach of HIPAA is, any place where there is exchange of health care data like in -

- Hospitals
- Drug Stores
- Clinical Laboratories
- Clearance Houses

- Insurance Companies
- Government Bodies

**Commercial Value**

To get an understanding of the market potential we would like to quote from a few articles published by market survey giants.

**FROM HEALTHCARE INFORMATICS –**

- “The cost of compliance depends on each entity’s current infrastructure and industry estimates vary. For providers it is Y2K times two. Payers might want to consider four times the Y2K budget.”
- Estimates Range from Y2K levels to Four Times Y2K levels

**FROM GARTNER GROUP –**

- “For at least 50 percent of HCO, the time and money spent by 2003 on making their applications and processes HIPAA-compliant will equal or exceed that spent on Year 2000 (probability .70).”
- Showed that only 18 percent of healthcare payer organizations and 4 percent of healthcare providers had at least begun planning the remediation for all of their application software.
- Many healthcare payer organizations will be relying on their vendors to achieve compliance and avoid substantial increases in their administrative costs.
- Some of the largest vendors have not been forthcoming on their approach, costs and capability to support installing the software updates throughout their user base in a timely fashion.
- Unlike the challenge of year 2000 If the organizations experience financial setbacks by lagging the industry in HIPAA compliance, and they have not exercised due diligence, their enterprises may be precluded from legal recourse and they may be personally blamed.
- If HCOs waits until the vendor chooses disclose its approach, there may not be sufficient time remaining to find an alternative, and the vendor will have the upper hand in the ensuing negotiations.
- In spite of HCOs necessity the due diligence with vendors are getting delayed.

**FOREIGN BRANCH**

The company is proposing to create its office at USA on sharing basis for its marketing development activities. The total amount of RS. 25.00 lacs are provided in the project cost for the overseas operations.

Details of Global office expenses:

Particulars	In US\$	Rs. In Laks
Advances for rent / deposit for its office	17,000	8.00
Manpower and Equipment	36,000	17.00
	<b>53,000</b>	<b>25.00</b>

The total cost in Indian Rupees US\$ 53,000 @47.17 = 25.00 lacs

**CHANGE IN MANAGEMENT PROGRAM**

The company works at the cutting edge of technology and is constantly exposed to the developments in technology. The company adopts latest technologies and the technical skills of the personnel are updated on a continuous basis through well-designed in-house training programs. This ensures that the company is exposed to futuristic technology, thereby mitigating to certain extent, and the threat of obsolescence.

**F. PRESENT ACTIVITES**

Chakkilam Infotech Limited (CIL) aims at providing total IT solutions encompassing application development, product development, project execution and IT-enabled Services.

The core competence of CIL is e-commerce and enterprise-wide solutions for the healthcare domain. Under IT-enabled services, CIL offers electronic publishing and medical transcription services.

**Onsite Services**

CIL offers onsite-consulting services on a variety of domains - EDI, Security, Communication, and HIPAA Domain etc

### **Development Center**

CIL has a well-equipped development center at Hyderabad offering following services:

- Deliver according to customer methodologies
- Turnkey project execution including complete system integration, with in budget and on time
- Re-engineering the existing software to meet the challenges made by complexity in the modern world of business.

### **Outsourcing Services**

The consulting division is capable of handling any kind of client's outsourcing requirements. This is made possible due to the vast domain expertise and technical competence achieved by executing projects in a methodical way.

### **HIPAA Compliance Services**

CIL provides a host of services that helps healthcare organizations, to achieve HIPAA compliance in an efficient manner. The Company provides consulting to offer solutions related to HIPAA compliance starting from awareness to redemption. CIL has commendable expertise in integrating various tools with customer applications. The Company has a team of consultants having total HIPAA related expertise, who can render excellent services to the clients.

### **Medical Transcription Services**

CIL applies the latest developments in technology to offer outstanding outsourcing services in the field of Medical Transcription with no compromise on quality and accuracy. CIL's resources can transcribe data in the entire range of Human Anatomy and specialty branches viz., Radiology, Pathology, ENT, Surgery & allied, Medicine & allied, Obstetrics & Gynecology, Ophthalmology, Oncology & nuclear medicine, Psychiatry and Other Medical Fields.

The team works 24 hours a day, 7 days a week offering our services with utmost perfection. CIL normally offers a 12-hour or 24-hour turn around time with no compromise on accuracy. CIL's resources are with life science background, capable of recognizing and understanding the medical terms with American Accent easily. Qualified people undertake Transcription and experienced medical doctors handle editing.

### **E-Publishing Services**

The e-publishing team consists of human resources proficient in various activities of the job viz., Copy Editing & Copy Markup, Data Entry, Quality Assurance, Scanning & Artwork and Research & Development. The quality control department employs top-class, trained quality analysts, ensuring error-free output in the formats needed by the client.

## **V. COMPANY, MANAGEMENT AND PROJECT**

### **A. History Of The Company**

The Company was originally incorporated as Chakkilam Infotech Pvt. Ltd. on 3<sup>rd</sup> September 1998 under Companies Act, 1956 and subsequently converted into a Public Limited Company on 31<sup>st</sup> January; Mr. C.V.Subramanyam, Mr. C. Sudhakar, Mrs.P.S.Vasantha and Mr. B.Prabhakar Arthur originally promoted 2000 the Company. The Company was established with a vision for providing high quality software solution to clients for enabling their business to have a global competitive edge. The main services rendered by the company are healthcare, banking, GIS, Client server solutions, etc.

### **B. Main Objects of the Company**

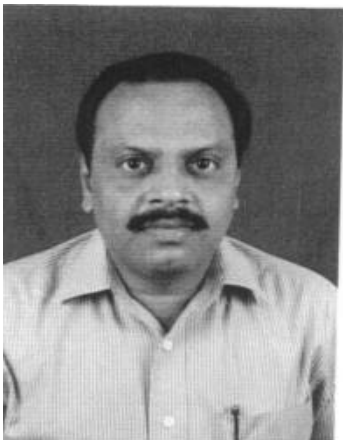
- 1) To carry on the business of Designing, Developing, Manufacturing Computer Software and to Market in India or Abroad and to provide Data Processing Services of all kinds including Computer Consultancy, Systems Analysis, Programming and Computer Maintenance in India or Abroad.
- 2) To carry on and to undertake and execute any contract involving Computerised Information Systems, Feasibility Studies, Turnkey Projects, know how, Research and Development, Training, Recruitment, Systems Development, Software and Hardware Development, Market, Research, Surveying and Survey Data Analysis, Reorganisation of Management, Financial Management, Operations Research and Real Time Applications, Time Sharing Business Applications, Industrial Engineering Applications, Process and Process Control.
- 3) To carry on the business of Developing, Providing Services, Training, Buying, Selling, Exchanging, Altering, Importing & Exporting, Letting on Hire, Distributing or Dealing in all kinds of and Description of Computer Communication Software and Hardware.
- 4) To carry on the business of Servicing, Buying, Selling, Exchanging, Altering, Importing and Exporting, Letting on Hire, Distributing, or Dealing in all kinds of and descriptions of Computer Communication Hardware and all other Types and Ranges of Computer Components, Consumables, Stationery Peripherals, Spare Parts, Stores and Accessories, Fittings and Appliances, Apparatus of all kinds and all Things Capable of being used therewith or in the Manufacturing and Maintenance for working there of Respectively.
- 5) To carry on and to Design, Develop, Manufacture Communication Software and Hardware for Domestic and Export Markets, and to provide Cable, Mobile, Satellite, Telecommunication Services by Binding for Government Telecommunication Contracts and also to provide Online Services, Internet and Internet Services across the Global for Customers in India or Abroad.
- 6) To carry on the business of designing, developing, manufacturing, marketing, exporting, importing, trading, specialization, distribution and research in all types of computer software in all areas including Management Information Systems, Database services, Industrial applications, Bio Technology, Bio Informatics, Health, office systems, Desk Top publishing. Communications, including telecommunication, CAD, CAM, animation, operating systems, Utilities, e-care & e-business, Enterprise Application Integration (EAI) and all other emerging technologies developments.
- 7) To render consultancy services and training in the field Software, information and data processing, communications, operations, research and technical services in the above field and to carry on Web, Internet, Intranet base business by specializing in distribution applications through centrally hosted servers for the Verticals. And to carry on the business of specialization in Vertical Markets like Health, Biotech, GIS etc.,

The main objects clause of the Memorandum of Association of the company enables the company to undertake the activities for which the funds are being raised through the present Issue.

## B. SUBSIDIARIES

There are no subsidiaries to the Company in India and abroad.

## C. PROMOTERS AND THEIR BACKGROUND



**Mr. C.V. Subramanyam**, aged about 44 years is a graduate in commerce and law with P.G. Diploma in Business Management. He has experience in the field of construction, transportation, banking and overseas trade. He is director in TTI Chakkilam Type Setting Private Limited which in the business of EPublishing. It is in the joint venture with Technical Typesetting Inc. based at Baltimore, USA. He is also a director of Chakkilam Overseas Services Private Limited, which deals in who is who of professionals. It is the joint venture of Gibraltar Publishing Inc., Jacksonville, N.C. USA, a renowned publisher of International WHO'S WHO professional directories. He is also a chairman of Apna Co-operative Bank Limited.

**Voter ID:** Not Available

**Driving License No. :** Not Available



**Mr. C. Sudhakar** aged about 38 years is a graduate from JNTU in Architecture; is the promoter director of Chakkilam Spark Power Private Limited, Chakkilam Construction Private Limited, Chakkilam Estates Private Limited, Chakkilam Overseas Services Private Limited and Kamala Builders Private Limited, the companies which are in the business of Generation of electrical power and distribution, Real Estate, Construction, providing services in Imports & Exports etc., He has 12 years of experience in architecture, real estate and construction. He has 3 years of experience in software.  
**Voter ID:** Not Available  
**Driving License No. :** Not Available



**Mr. Bezwada Prabhakar Arthur** aged about 70 years is a postgraduate. He is having about three decades of experience in the field of teaching and retired from Government Services.  
**Voter ID:** Not Available  
**Driving License No. :** Not Available

**Mrs. P.S. Vasantha** aged about 62 years, was originally signatory to the Memorandum and articles of Association of the company as one of the promoters. She resigned due to her preoccupation on 02-09-2000.

The details of Permanent Account Number, Bank Account Number and Passport Number of the promoters of the issuer company has intimated to Hyderabad Stock Exchange [Designated Stock Exchange].

#### MANAGEMENT OF CHAKKILAM INFOTECH LIMITED

The overall management of the Company is vested with the Board of Directors assisted by a team of professionals.

#### The Board of Directors

The following are the persons constituting the Board of the company:

S. No	Name, Address, Business, Age	DESIGNATION	Particulars of other Directorships.
1	C.V.SUBRAMANYAM S/O.C.Venkatesan 6-3-663/15/A, Jaffer Ali Bagh, Somajiguda, Hyderabad. Occupation: Business Age : 46 Yrs	Managing Director	Chakkilam Constructions Pvt Ltd Chakkilam Overseas Services Pvt. Ltd. TTI Chakkilam Type Setting Pvt Ltd Apna Co-operative Urban Bank Ltd
2.	C.SUDHAKAR S/O.C.Venkatesan	Director	Chakkilam Constructions Pvt Ltd Chakkilam Overseas Services Pvt. Ltd.

	6-3-663/15/A, Jaffer Ali Bagh, Somajiguda, Hyderabad. Occupation : Architect Age : 40 Yrs		Invinix Laboratories Ltd
3.	BEZWADA PRABHAKAR ARTHUR 6-3-627/A, Bhawana Apts, Anandnagar Occupation : Business Age : 70 Yrs	Director	Nil
4.	WILLIAM JULIUS TAYLOR 1510, Cation Centre Drive, Suite E, Baltimore Md 21227, USA Occupation : Business Age : 69 Yrs	Director	TTI Chakkilam Type Setting Pvt Ltd Technical Typesetting Inc, USA
5.	TERENCE. J. LEIFHEIT 1650A, Gum Branch Road, Jacksonville, NC 28460 Occupation: Business Age : 36 years	Director	CEO and President of e-COMMERCE SUPPORT CENTERS, Inc Jacksonville, North Carolina, USA
6.	Nageswara Rao K 12-12-14, Ravindra Nagar, Seethaphalmandi, Secunderabad – 500061 Occupation : Service Age : 35 Yrs	Director	NIL
7.	Srinivasa Rao B Lata Enclave, Yousafguda, Hyderabad Occupation : Business	Director	NIL
8.	Vikram P Aakruthi Nest, Kamalapuri Colony, Srinagar Colony, Hyderabad Occupation : Business Age : 24 Yrs	Director	NIL
9.	Subba Rao K 8-3-678/A, Ajruti Mension, Navodaya Colony, Yellareddyguda, Hyderabad Occupation : Business Age : 70 Yrs	Director	NIL

#### D. KEY PERSONNEL

The company is presently having the following Key Personnel.

SL. NO	NAME	DATE OF JOINING	EDU. QUALIFICATION	EXPERIENCE	DESIGNATION	PREVIOUS EMPLOYMENT
1	R Ramanan	November-02	B.Tech(Elec)	26 Yrs	C.O.O.	SQL Star International
2	R V N Murali Mohan	November-02	B.E ( Comp)	13 Yrs	C.T.O.	SEEC Technologies
3	K.B.K.Durga	August-00	M.C.A	15 Yrs	GM-Tech	SQL Star International
4	Dr.Sudhakar Raju	October-00	M.B.B.S.	26 Yrs	C.O.O.-M.T.	Dynamic Health Care

5	Sridhar Pappu	August-01	M.Sc.(Tech)	10 Yrs	Project Mgr	Computer People
6	Manikandan	November-01	B.Sc.(Maths)	6 1/2 yrs	Manager - Production	World Infotech Ltd
7	B Sundara Rao	September-02	B.Com	17 Yrs	Manager - Finance	Lotus Shielders (India) P. Ltd.
8	Srinivas Suda	January-03	MSc.( Elec )	6 Yrs	Project Leader	Frontier Information
9	P Bhaskar Rao	September-01	BSc, ( MBA )	7 Yrs	Facilities Manager	K R Softnet Systems Ltd

The said Key Personnel are present and permanent employees of the company.

**CHANGES IN THE KEY MANAGERIAL PERSONS OF THE COMPANY DURING THE LAST 3 YEARS**

Name	Designation	Date of Appointment	Date of Cession
Mr. J.K.R.SASTRI	CEO	17.08.2001	July 2003

**G. GROUP COMPANIES AND OTHER VENTURES OF THE PROMOTERS**

**1. Chakkilam Construction Private Limited [CCPL]**

M/s. Chakkilam Construction Private Limited [CCPL] was incorporated on 16th September 1998 under Companies Act, 1956 as a private limited company with a main object of under taking operations in Real Estate, Consultancy, Architecture and Construction.

The Directors of Chakkilam Construction Private Limited are Mr. C.V. Subramanyam, Mr. C Raghuram and Mr. C. Sudhakar.

The brief financial details are as under:

(Rs. in Lacs)

Particulars	1999-2000	2000-2001	2001-2002	2002-2003
Share Capital	68.23	68.23	225.00	225.00
Reserves & Surplus	39.07	47.81	49.51	61.60
Net Fixed Assets	44.61	69.34	52.19	39.44
Net Current Assets	442.72	433.33	783.58	673.43
Sales/Receipts	252.93	484.09	534.91	541.20
Profit / (Loss) before tax	11.49	15.10	19.42	18.82
Profit / (Loss) after tax	4.70	8.00	10.54	10.40

The Break-up of Net Current Assets of M/s. Chakkilam Construction Private Limited [CCPL] is as under:

Particulars	2002	2003
Work in Progress	671.82	564.55
Cash & Bank balances	13.13	9.74
Advances & Deposits	210.33	213.98
Less: Current Liabilities & Provisions	111.69	114.84
Net Current Assets	783.58	673.43

Source: Audited Annual Accounts of the Company for the respective financial years.

**Shareholding pattern of Chakkilam Construction Private Limited**

Particulars	No. of Equity Shares	% to Equity
a). Promoter	11,90,600	53.00
b). Immediate Relative of promoter (Spouse, parent, child, brother, sister)	10,59,400	47.00
<b>Total</b>	<b>22,50,000</b>	<b>100.</b>

**2. Chakkilam Overseas Services Private Limited**

Company incorporated on 12th December, 1998 under Companies Act, 1956 as a private limited company with a main object of carrying on the business of developing, providing services, training, buying, selling, exchanging, altering, Importing & Exporting, letting on hire, distributing or dealing in all kinds / description of computer Communication Software and Hardware in India and Abroad. To export from India and Import into India any material, all commodities, Computer Communication Software and Hardware goods etc., to / from all parts of the world. To act as Export / Import House.

Mr. CV Subramanyam, Mr. C. Sudhakar are the Promoters of the company

(Rs. in Lacs)

Particulars	1999-2000	2000-2001	2001-2002	2002-2003
Share Capital	0.02	0.02	1.00	1.00
Reserves & Surplus	0.08	0.09	0.10	-0.16
Net Fixed Assets	0.69	0.62	0.56	0.49
Net Current Assets	-0.54	-0.42	-0.36	0.31
Turnover	0.25	0.16	0.20	NIL
Profit / (Loss) before tax	0.03	0.01	0.01	-0.15

### 3. Kamala Builders Private Limited

Company incorporated on 13<sup>th</sup> July 1992 under Companies Act, 1956 as a private limited company with a main object of dealing in Real Estates and constructions.

The Promoters of the company are Mr. CV Subramanyam, Mr. C. Sudhakar and Mr. Raghuram.

(Rs. in Lacs)

Particulars	1999-2000	2000-2001	2001-2002	2002-2003
Share Capital	4.95	4.95	4.95	4.95
Reserves & Surplus	- 0.49	-0.46	-0.44	-0.68
Net Fixed Assets	3.93	3.44	3.01	3.01
Net Current Assets	0.52	1.05	1.50	1.42
Turnover	1.43	1.39	1.42	NIL
Profit / (Loss) before tax	- 0.05	0.03	0.03	-0.08
Profit/(Loss) after Tax	0.05	0.02	0.03	-0.08

There are no commercial business between the Issuer Company and other ventures of the Promoters of the Company.

## VI. PRODUCTS AND SERVICES

### Products and Services

CIL provides software solutions and services across domains including Healthcare, Banking, GIS, CAD, Insurance, and Manufacturing etc. which are based on .NET, J2EE, Web Services standards and rapid application development methodologies.

CIL products' cater to the needs of health care providers and insurance payers in the United States of America to achieve HIPAA Compliance.

### **ABOUT HIPAA**

In US, healthcare is a segmented industry. It is also burdened by very high operating costs. For providers to incorporate these changes in their existing IT systems involves massive investment and potential disruption of their existing business critical processes. The magnitude of the disruption to incorporate these changes far outstrips changes that the IT industry has seen.

Public Law 104-191 also known as Health Insurance Portability and Accountability Act (HIPAA) enacted on August 21st 1996 by President Bill Clinton amends the Internal Revenue Service Code of 1986.

HIPAA was to reform healthcare in a way that would streamline industry inefficiencies, reduce paperwork, make it easier to detect and prosecute fraud and abuse

Title II Subtitle F: Administrative Simplification (AS) provisions are usually referred to as "HIPAA," although the legislation itself had a larger scope.

The HIPAA requirements are as follows:

- Electronic Transactions Standards
- Code Sets and Identifiers Standards
- Security Standards
- Privacy Standards

HIPAA regulation is expected to save the healthcare industry substantial amounts by standardizing transaction processes and reducing turn around time for payments. Regulation mandates that transactions be in electronic format. However, this brings some other associated issues to the fore. Once all medical records are in electronic format, privacy and security of the data become very critical from the point of protection of civil rights. Hence the HIPAA regulation is divided into Privacy, Transactions and Security. HIPAA involves changes to IT systems, massive user training to comply with the regulations, provide new customer services, tracking and documenting of these services.

## **PRODUCTS**

CIL offers a suite of products to help healthcare entities comply with HIPAA regulations comprehensively and cost effectively. These products have been built using our indigenous HIPAA compliance methodology, which allows a cost effective answer to the customer's needs. We have designed and developed the following products to meet the challenges of HIPAA Compliance.

Our gallery of HIPAA products include – hipaaPRIVACY™, hipaaCONNECTOR™, hipaaSECURITY™, hipaaMAPPER™ etc., to address the Privacy, EDI and Security regulations of HIPAA. Today, our clients range from small hospitals to large integrated health systems. To ensure their smooth functioning we have in place outsourcing service agreements.

CIL has designed and developed the following products to meet the challenges of HIPAA Compliance.

- **hipaaPRIVACY™**
- **hipaaCONNECTOR™**
- **hipaaSECURITY™**
- **hipaaASPTM**
- **hipaaEDITM**
- **hipaaMAPPERTM**

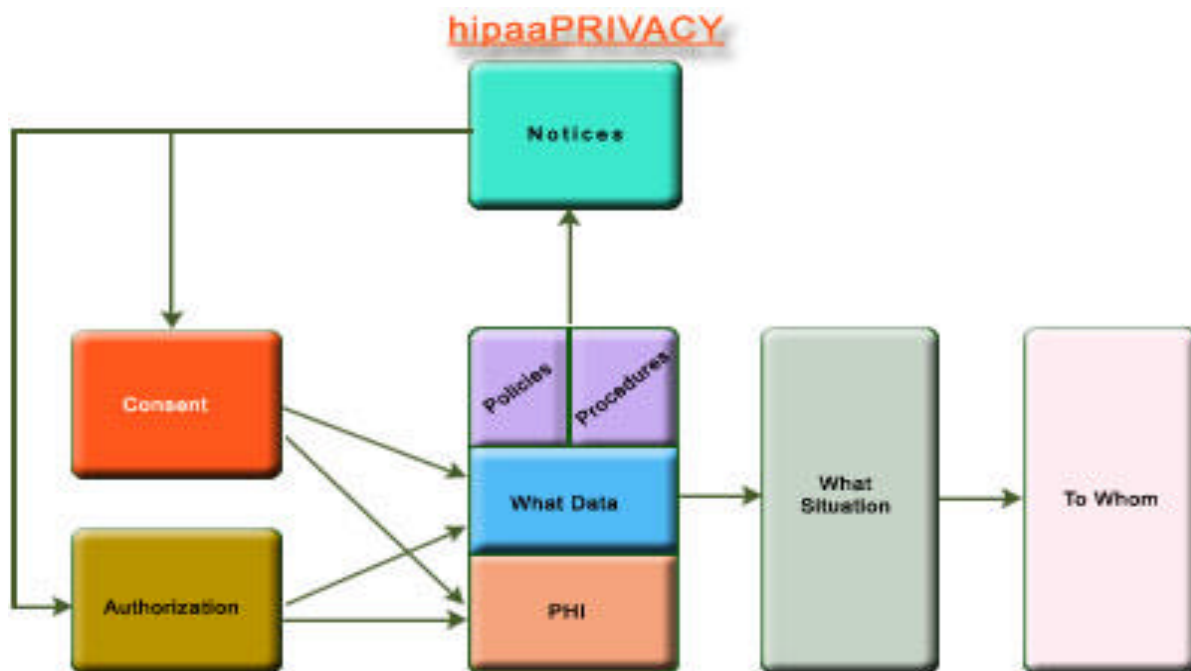
### **Products / hipaaPRIVACY**

hipaaPRIVACY™ addresses the complete HIPAA Privacy regulation by tracking PHI disclosures, amendments, restrictions, authorizations, notices etc.

Facilitates configuring of provider specific data like patient PHI, employees, business associates, document templates etc. and authenticates the access based on user roles, responsibilities and context.

Software is designed to co-exist with the provider's Hospital Management Systems (HMS) and allows access to patient data non-intrusively ensuring a high level of system integrity.

The application enables Privacy officers to monitor the privacy activity for effective implementation.



**Key features:**

- Tracks PHI disclosures, requests, amendments, authorizations, notices etc. and complies with the regulation completely.
- Authorized access based on roles and context.
- Can easily configure PHI, policies and procedures.
- Can be accessed from Internet browser easily and hence avoid workstation installation.
- Can extract PHI from existing HMS systems.
- Facilitates Privacy officers to monitor privacy implementation and churn out reports through friendly interface.
- It complies with the regulation completely.
- Coexists with existing HMS systems, thus saving major implementation expenses.
- Tracks Disclosure requests, consents, notices and authorizations.
- hipaaPRIVACY™ software is composed of :
  - Configuration Module
  - User Interface Module

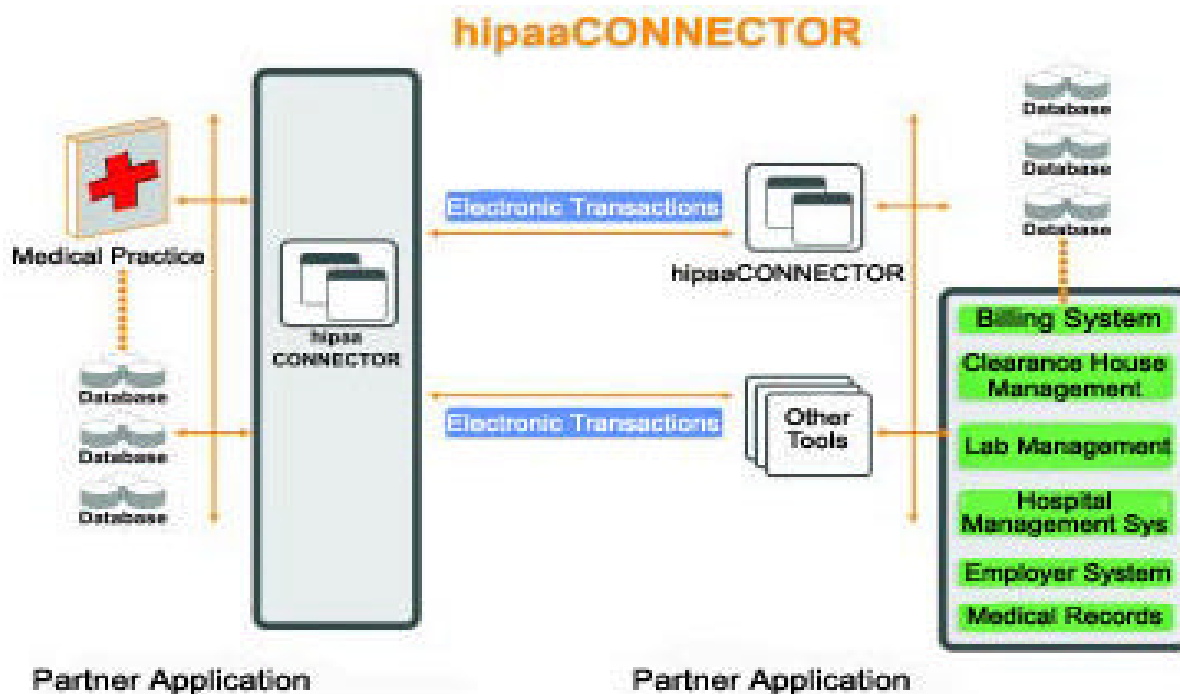
**Products / hipaaCONNECTOR**

**hipaaCONNECTOR™** is a complete provider of EDI transaction system in the health care payer and provider industry.

It supports all the nine types of transactions mandated by HIPAA including claim submission, claim status enquiry, eligibility enquiry and reporting through friendly browser-based user interface.

**hipaaCONNECTOR™** is an intelligent software that detects the GAP between provider's current transaction formats and the mandated ASC X12N transaction formats.

It also works with the existing patient registration and billing systems of the provider and can be launched from any web application server.



Key features :

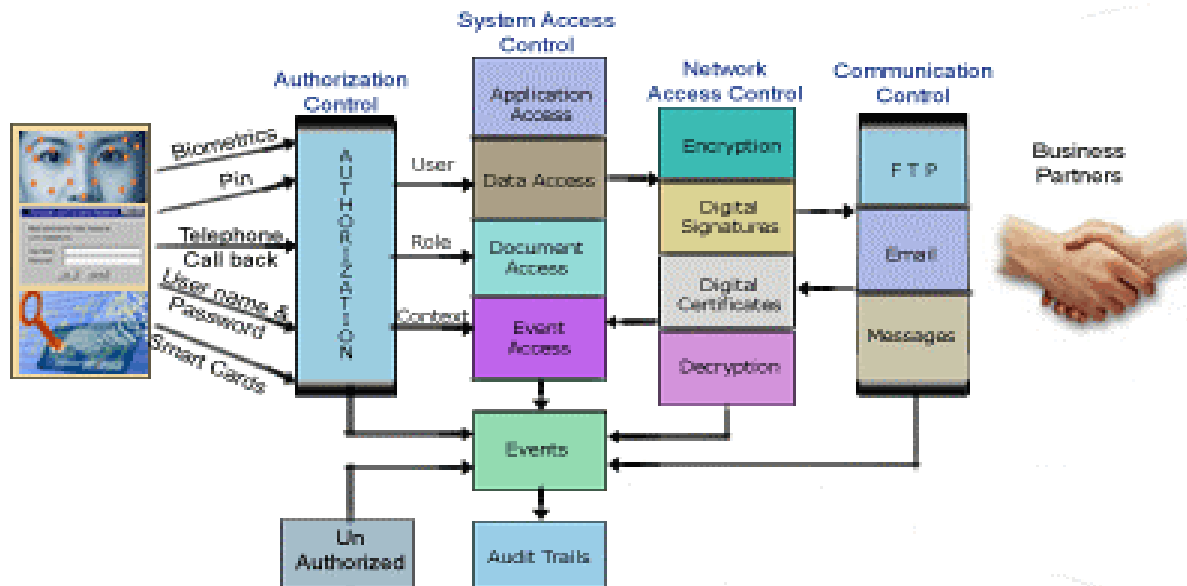
- Handles all nine HIPAA transactions between provider and payer.
- Built-in automatic GAP analyzer to determine the GAP.
- Translates NSF and UB92 formats to HIPAA formats.
- Authentication controls for accessing the system based on roles and context.
- Encryption and decryption of the transaction data while transmitting over network.
- The implementation costs are minimized as the application utilizes the existing database to access the patient data.
- The tool generates a supplementary database to breach the gap between the HIPAA elements and the database elements.
- The communication module is an added feature to avoid additional application for sending and receiving transactions.
- The application has a browser based Report and Query module, which allows the authorized healthcare employees to generate a 270 Eligibility Inquiry transaction.
- hipaaCONNECTOR™ software is composed of :
  - EDI Server
  - Report and Query module

### **Products / hipaaSECURITY**

**hipaaSECURITY™** is available both as an independent product and as a module in **hipaaCONNECTOR™**. It is built using data warehousing principles and interfaces with the business application through databases and API.

**hipaaSECURITY™** is independent of platform, databases, and business application architecture. This program is modular, expandable, and dynamic and provides a single point security solution for HIPAA requirements.

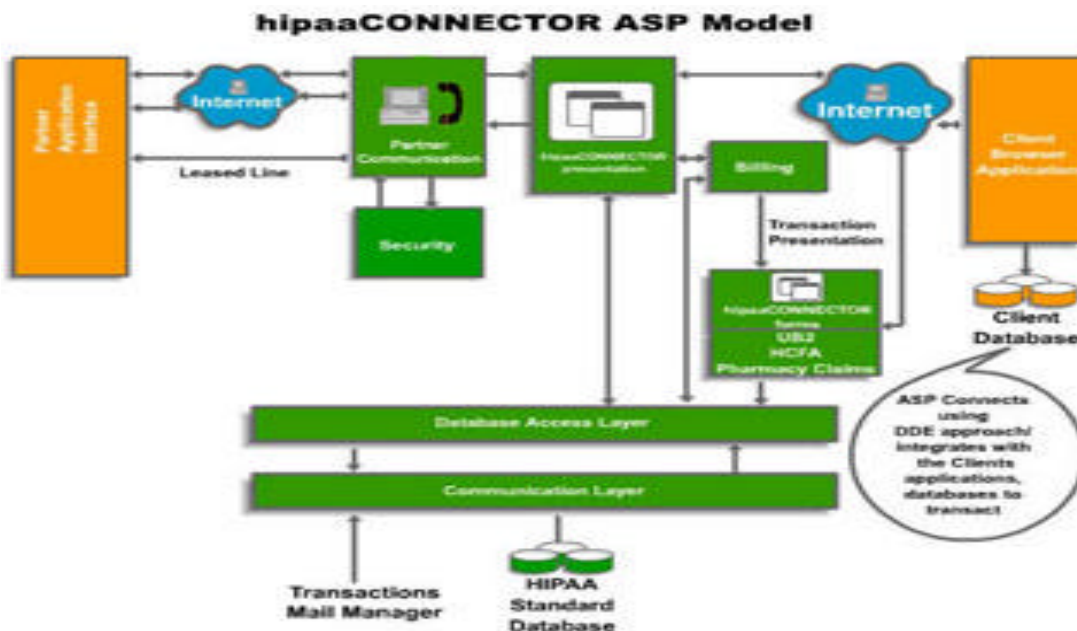
# hipaaSECURITY



The salient features are

- Access control at user-level, role-level and context-level to documents, files, data and tables.
- Enforcement of entity authentication.
- Interface to certificate and registration servers.
- Logging events with security elements at different processes.
- Managing signatures, certificates and keys.

## Products / hipaaASP



CIL launched its software services for health care industry through an ASP model for the needs of all health care centers & professionals in USA. The application(s) & infrastructure pertaining to HIPAA compliance needs

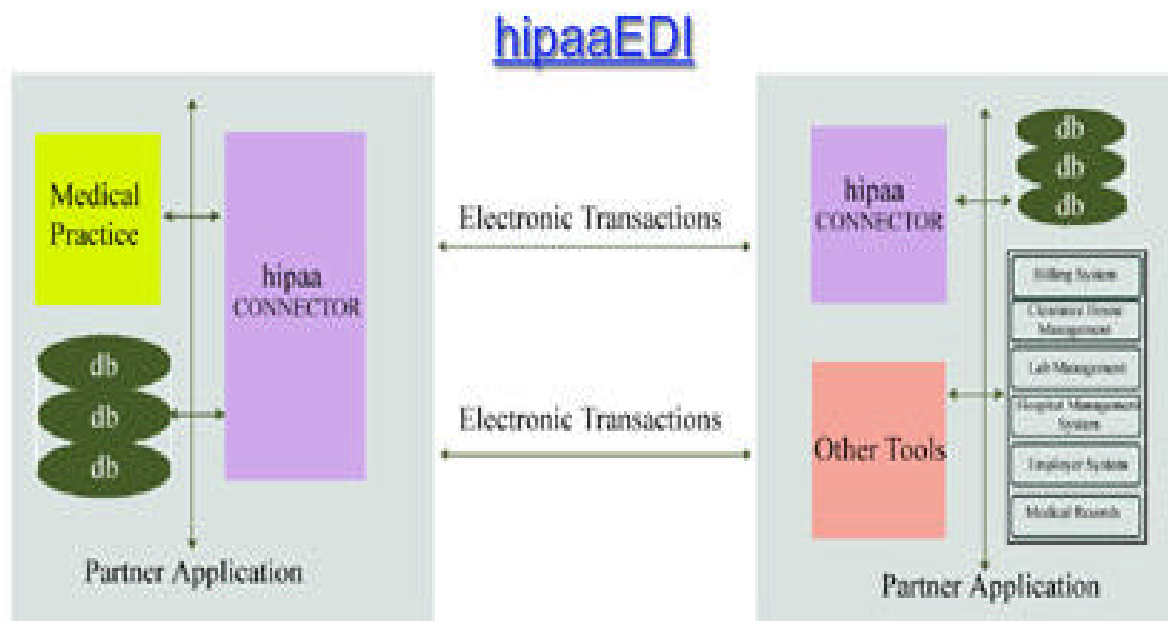
of individual health care providers have been provided to allow the access through an authentication process involving a subscription ID and password.

The application is capable of handling -

- X12 based transaction formats to process claims & requests.
- HIPAA privacy regulations for accessing patient info
- HIPAA security regulations while transmitting & transacting patient info.
- Healthcare professionals/doctors are allowed to access the system based on a subscriber id and password.
- Claim submissions, claim status enquiries and eligibility enquiries through the application.
- Payment through credit/debit cards.
- Encryption and decryption of data while being transmitted over network.

### **Products / hipaaEDI**

**hipaaEDI™** is available both as an independent product and as a module in **hipaaCONNECTOR™**. This tool is used to generate, validate and communicate the EDI string between the provider and the payer.



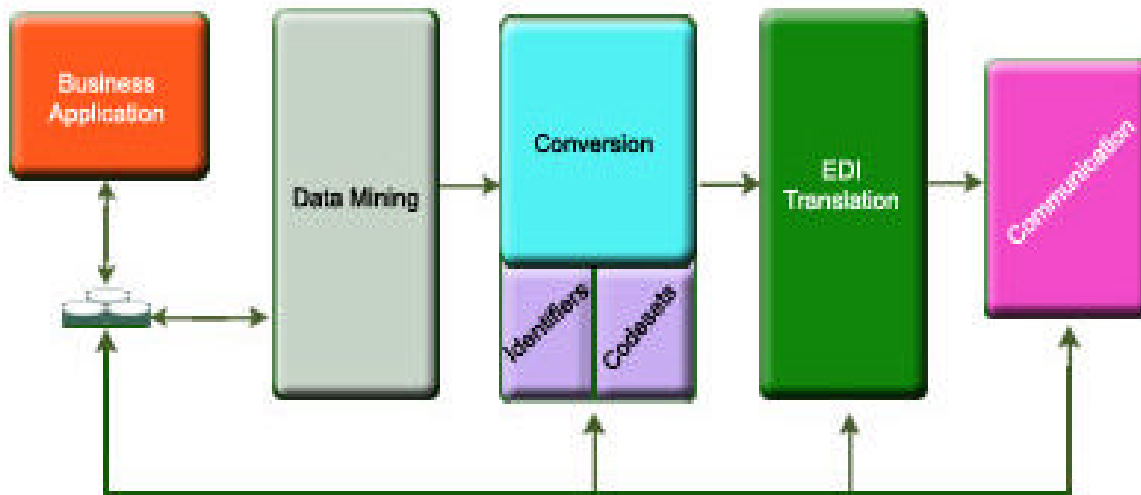
Key features include -

- Generates ASC X12N compatible EDI string by retrieving healthcare information from the RDMS databases.
- Capable of accepting healthcare information in XML format
- Validates incoming EDI string with regards to the HIPAA mandated ASC X12 format.
- Can transmit & receive the valid EDI string to the payer.
- Supports Encryption & decryption while communicating over net
- Supports 837P, 837I, 270, 834, 820 transactions
- Can function as an standalone executable or can be plugged into a 3rd party application as a component.

### **Products / hipaaMAPPER**

**hipaaMAPPER™** is available both as an independent product and as a independent component in **hipaaCONNECTOR™**. It is used to map the HMS data elements to the HIPAA mandated ASC X12N format.

## hipaaMAPPER



Some of the key features of the product include -

- Maps non-standard data to HIPAA standard data using friendly Drag & drop UI
- Translates non-standard data values to HIPAA standard values
- Transforms non-standard data to HIPAA standard data.
- Exports & Imports mapped information to XML
- Supports for 837P, 837I, 270, 834, 820 transactions.

Can function as an standalone executable or can be plugged into 3rd party EDI application as a component.

The reach of HIPAA is wherever there is exchange of health care data like in

- Hospitals
- Drug Stores
- Clinical Laboratories
- Clearance Houses
- Insurance Companies
- Government Bodies

### **Services**

CIL provides expert services in virtually every sphere of information technology management, from implementing emerging technologies to supporting day- to- day IT operations. CIL also provides IT outsourcing services as required by its clients. CIL products and services ensure faster ROI to its clients.

CIL has the expertise and experience to help optimize investment, to meet the financial, clinical, business and regulatory pressures that are part of today's dynamic Information Technology environment. CIL customized solutions are designed to help an organization take advantage of new opportunities, meet unique challenges and focus on areas critical to strategic success.

CIL also provides onsite HIPAA consulting services, to ensure that customers achieve HIPAA compliance with ease. CIL has a motivated team of professionals who can meet any kind of onsite and offshore activities.

CIL offers IT enabled services like Medical Transcription, Medical Billing and e- Publishing. As part of our medical transcription services, we provide a wide berth of choices to our clients to serve them with confidence, precision and timely services, which are the keys to perfection. CIL's e Publishing division has made its mark among the reputed publishers by giving its best.

CIL provides services in areas of information technology management across domains including Healthcare, Banking, GIS, CAD, Insurance, and Manufacturing etc., from implementing solutions to supporting day- to- day IT operations.

CIL products and services cover all phases of the system life cycle, from development to support and maintenance significantly reducing the total cost of ownership (TCO) and the time taken to deliver. Using customized models and a collaborative approach, CIL facilitates and manages the complete planning cycle for clients to ensure optimal customer satisfaction.

The information challenge of an organization is solved by rapid application of development practices using, the industry standard .NET, J2EE, and Web service frameworks, integrating enterprise applications using EAI methodologies.

CIL HIPAA compliance methodology improves an organization's operational efficiency, better information and cost-effective processing. CIL has the ability to help an organization achieve a total solution and take full advantage of the benefits that follow. CILs experienced team studies HIPAA requirements of an organisation and comes up with a road map to make it HIPAA compliant. The end result is enhanced patient care through information technology.

CIL Geographic Information Systems (GIS) services cater to analyzing the complex spatial data collected through satellite imagery, global positioning systems, aerial survey and digital cartography and synthesize the results into maps and reports.

CIL has the know-how to migrate organisation's legacy mainframe applications to latest Internet technologies with a non-invasive approach. CILs tools and services can transform the legacy GUI front-end to web screens viewed through Internet browser.

CIL has build strong business partnerships to provide significant value to its customers and ensure a greater return on investment (ROI). CIL has forged alliances with the leading technology, training, implementation and development partners through Channel Partner Program.

## **BPO**

Whatever the industry, every company has perimeter functions that take the resources and focus on the core strategic goals. That's where business process outsourcing can make the biggest impact.

CIL brings together the right combination of people, processes, and technologies to help with day-to-day business thereby freeing the internal resources, in order to improve returns on core business functions while cutting costs on non-core activities. This increases the net worth of any business and improves the support levels for its customers.

CILs disaster recovery plan ensures that there is minimal time and data lapse in view of extremities and business continues normally. In order to achieve this CIL has reliable resources like infrastructure, Internet bandwidth and dedicated professionals. CIL provide Business Process Outsourcing in the following disciplines.

CIL provides Business Process Outsourcing in the following disciplines.

- **Medical Transcription**
- **Medical Billing**
- **E- Publishing**

## **BPO / Medical Transcription**

CIL is a fully functional and comprehensively equipped facility, devoted to provide quality, reliable and timely services in medical transcription.

CIL fully understands the dynamics and the critical role inter-played between security, precision, confidentiality, quality and timely deliveries.

CILs Offerings

- State of the art round the clock transcription services.
- Electronic medical records.
- Accessibility anywhere and anytime.

- Choice of dictation through Dictaphones and toll free telephone lines, which are user friendly.
- Reduced processing cost.
- Faster insurance approvals.
- Tax deductible payments.

**HIPAA Compliance and security**

- Ensuring secure and confidential access to all medical records.
- State of the art SSL128 bit encryption is in place to ensure security of information.
- HL7 and HIPAA compliant.

**BPO / Medical Billing**

CIL's professional billing service is designed to ensure accuracy, speed and comprehensive services and dedicated to meet all of the insurance and patient billing needs of a practice. CIL offers a variety of highly personalized services, which can meet the needs of almost any type of specialty.

CIL's services are specifically designed to meet the needs of individual and small group practices.

**BPO / e-Publishing**

CIL provides quality electronic publishing services to clients all over the world. CIL specializes in structuring and delivering content for cross media publishing, using proprietary automation techniques and adding multi-platform, interactive value with the use of TeX, LaTeX, SGML, XML, MathML, QuarkXpress, FrameMaker etc. CIL works hand in hand with clients round the clock, 365 days a year making the document creation process easy and effective.

**Partners**

CIL understands the importance of building strong partnerships to ensure a successful business. It is dedicated to the development of a formal channel program to offer all our partners the tools and services needed to achieve great success in today's challenging markets.

Software products provide significant value for customers and a significant business opportunity for partners. CIL forges alliances with leading technology, training, implementation and development partners.

Members of Channel Partner Program are enjoying the following benefits

- Joint selling to new and existing customers.
- Cooperative marketing,
- Dedicated alliance resources.
- Training and education.
- Technical support.

**Projects On Hand**

Some of the Projects on hand are mentioned hereunder:

<b>Sr. No.</b>	<b>Name of the Project</b>	<b>Client Name</b>	<b>Project Status</b>	<b>Terms of Payment</b>
1	Veteran Administration (VA)	Cambridge Outsourcing, Newbrook, USA	On Going	<b>On Completion</b>
2	South Nassau Communities Hospital	-do-	-do-	-do-
3	University of North Dakota	-do-	-do-	-do-
4	University of North Carolina	-do-	-do-	-do-
5	Internal Medicine Associates	-do-	-do-	-do-

6	Beth Israel Deaconess Medical Center	HealthTech Medical Solutions Inc.	-do-	-do-
7	Pacific Cardiology	-do-	-do-	-do-
8	Great South-Bay Surgical Center	-do-	-do-	-do-
9	ProHealth Primary Care	-do-	-do-	-do-
10	Pediatric Cardiology	-do-	-do-	-do-
11	Children Special Health Services	-do-	-do-	-do-
12	North Alabama Regional Hospital	-do-	-do-	-do-

### **CIL's Valuable Customers**

The valued clients of CIL are as under:

- Oxford University Press, UK & USA
- American Scientific Publisher, USA
- American Statistical Association, VA, USA
- IJOPE
- Academic Press, CA, USA
- Kluwer Academic Press, Amsterdam, Netherlands
- Blackwell Press, MA, USA
- John Wiley & Sons, NJ, USA
- Institute of Mathematical Society, CA, USA
- INFORMS, MD, USA
- Princeton University Press, USA
- MIT Press, USA
- Sage Publisher, USA

### **VII. MARKET AND DEMAND**

#### **SURVEY ON HIPAA MARKET**

Phoenix Health Systems and HIMSS conducted the Spring 2003 U.S. Healthcare Industry Quarterly HIPAA Compliance Survey during the first two weeks of April. The abstract is as follows :

- Seventy-eight percent of Providers, 68% of Payers and 47% of Clearinghouses stated they were compliant with the HIPAA Privacy Rule by the April 14 deadline.
- Nearly 100% of Providers who reported being Privacy-compliant have implemented the most publicly visible requirements of the Privacy Rule -- such as Notices of Privacy Practices and Patient Authorizations. However, significantly fewer have implemented requirements such as enabling patients to receive an accounting of health information disclosures, limiting staff access to protected health information on a "minimum necessary" basis, and completing agreements with Business Associates to ensure the latter are protecting patient privacy.
- Among healthcare computer systems Vendors (business associates whose cooperation with HIPAA is critical to healthcare operations), only 39% have completed Privacy remediation efforts.
- Forty-nine percent of Providers, 62% of Payers, 55% of Vendors and 80% of Clearinghouses stated they were conducting internal Transactions testing as of the TCS April 16 testing deadline. Thirty-nine percent of Providers, 37% of Payers, 39% of Vendors and 53% of Clearinghouses were conducting external testing with their business partners, as of the testing deadline.

- Cooperation among healthcare industry segments was reportedly less than satisfactory, and was again ranked one of the top roadblocks to HIPAA compliance, along with "not enough time" and difficulty in interpreting the HIPAA regulations.

Management support for HIPAA compliance has significantly increased over measurements recorded in past surveys.

**The Organizations**

Respondents from Provider organizations accounted for 70% (490) of participants. The breakout of participants follows:

- Providers - 70%
  - Hospitals with 400+ beds: 12%
  - Hospitals with 100-400 beds: 16%
  - Hospitals with less than 100 beds: 13%
  - Medium-sized physician practices (11 to 29 physicians)/other providers: 8%
  - Small physicians practices (10 or fewer physicians)/other providers: 20%
- Payers - 19%
- Clearinghouses - 2%
- Vendors - 9%

**2003 HIPAA BUDGET HIGHLIGHTS**

Hospital budgets for HIPAA compliance in 2003 are generally higher than 2002 HIPAA budgets.

Hospitals with less than 100 Beds: 35% will spend less than \$30K in 2003, and another 31% (up from 20% last quarter) will spend between \$30K and \$50K, which equates to almost two-thirds spending less than \$50K this year on HIPAA. Only 19% will spend between \$50K and \$100K, and 12% between \$100K and \$250K.

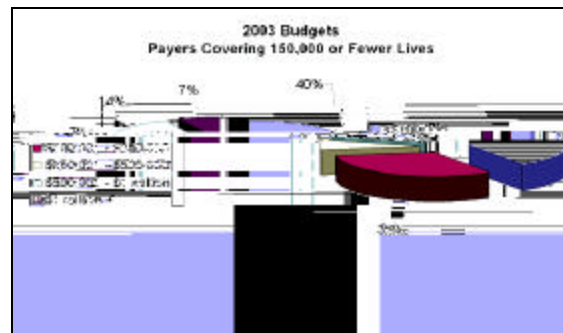
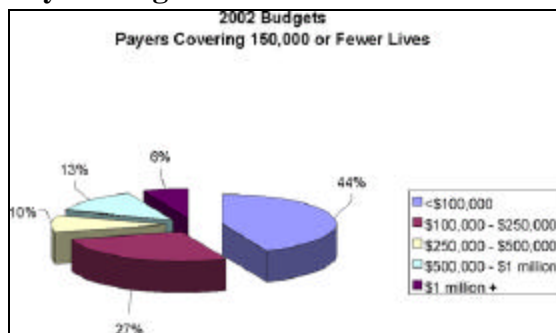
Hospitals with 100 to 400 Beds: 28% will spend less than \$50K, 32% between \$50K and \$100K, 24% between \$100K and \$250K, 9% between \$250K and \$500K, and 5% over \$500K.

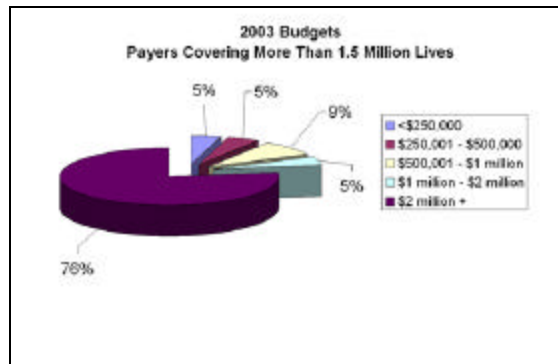
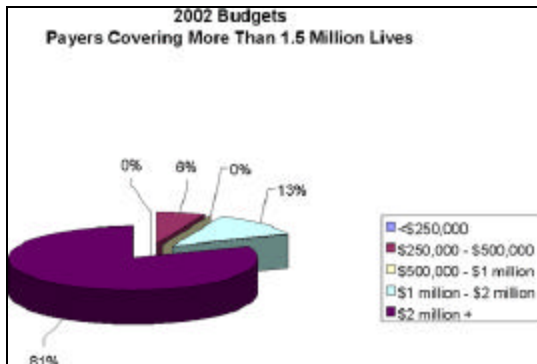
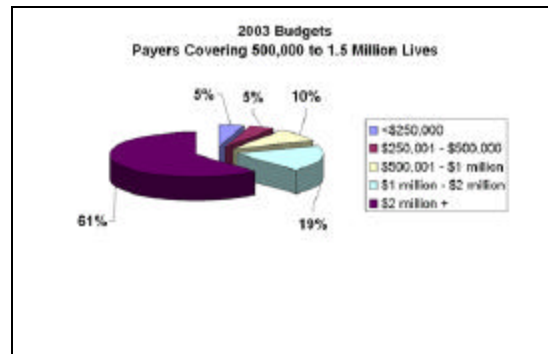
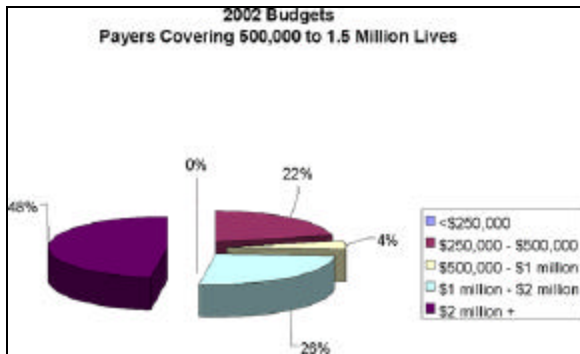
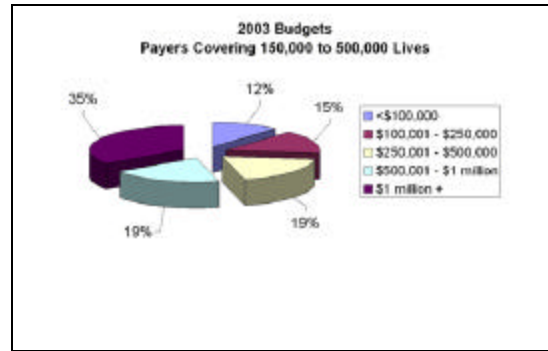
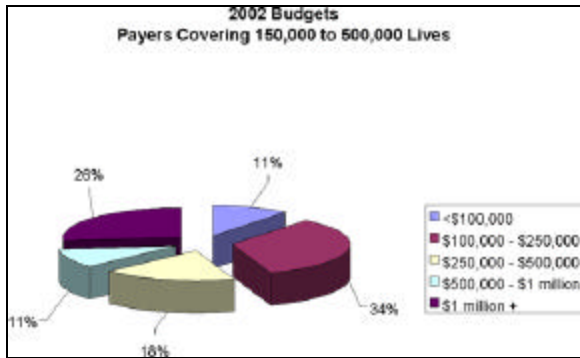
Hospitals with 400 or More Beds: Only 5% have budgeted less than \$50K, and 16% between \$50K and \$100K, while over one-third have budgeted between \$100K and \$500K. A major jump since the Winter 2003 Survey was an increase from 11% last quarter to 22% this quarter of organizations that will spend between \$1 million and \$2 million.

Payer budgets for 2003 are significantly higher than in 2002, especially for larger payer organizations. A graphical comparison of Hospital, Payer and Vendor HIPAA budgets, by year, is shown below :

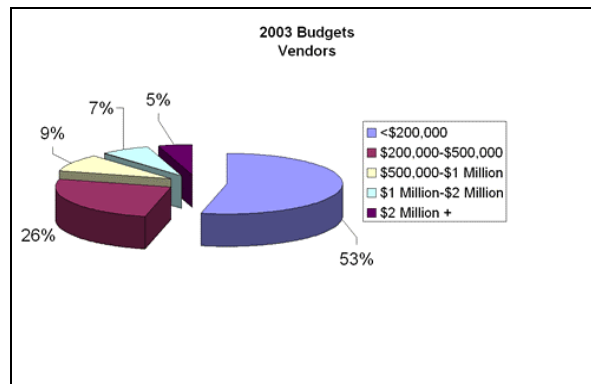
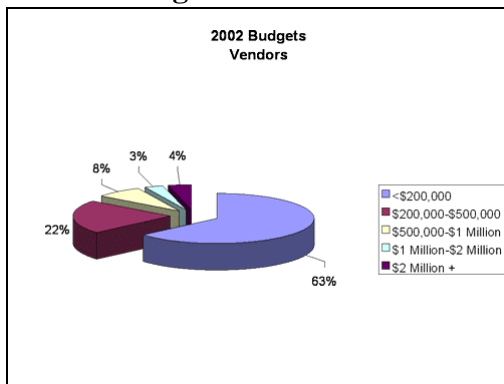
Hospital Budgets: 2002 vs. 2003

**Payer Budgets: 2002 vs. 2003**

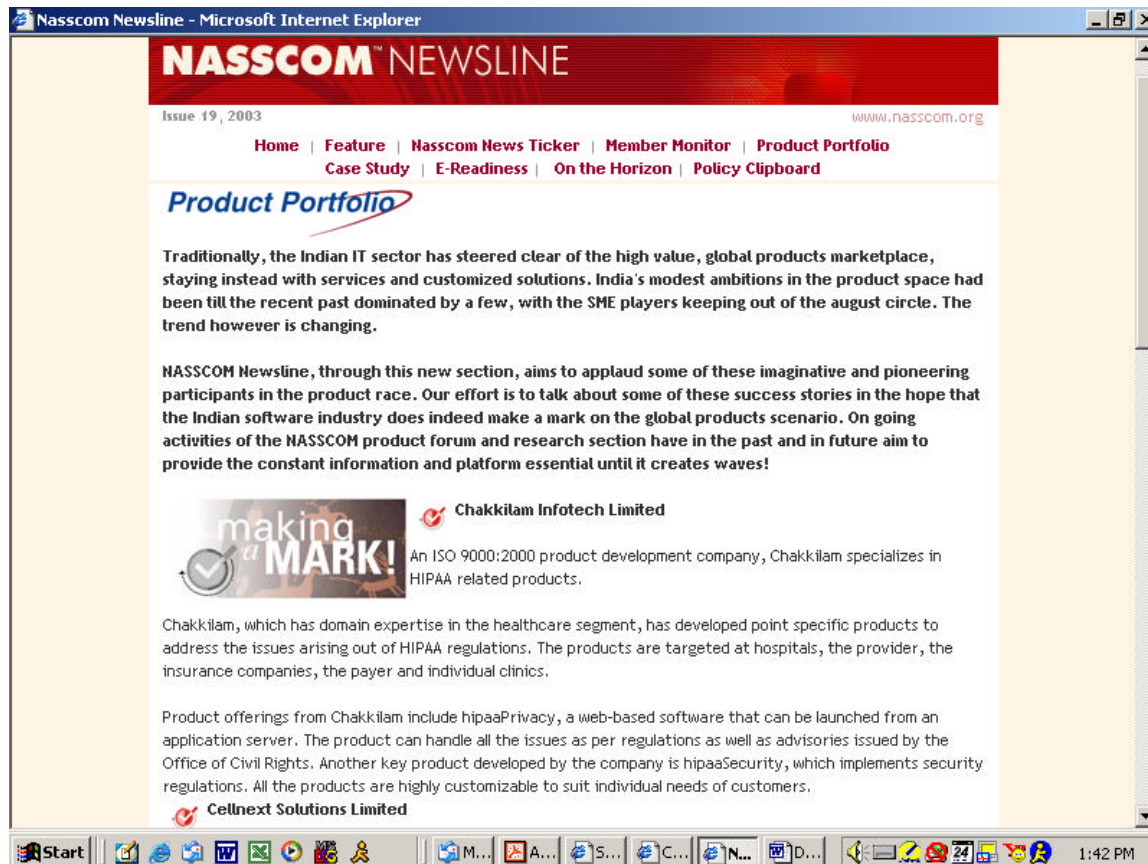




**Vendor Budgets: 2002 vs. 2003**



CIL has developed products, which comply with HIPAA rules. The same has been highlighted in the NASSCOM NEWSLINE, June 2003 Issue, which is as follows



## STUDY ON E-COMMERCE INDUSTRY

(Extracts and Preliminary Highlights)

Nasscom is presently conducting a comprehensive study on India's potential for E-Commerce industry with the following points of reference:

- Understand and evaluate the present state of E-Commerce industry and market in India.
- Anticipate future potential of E-Commerce industry and market in India Identify present and potential global trends that are expected to define new paradigms of E-Commerce
- Scenario Analyze current internet access and penetration in India and evaluate potential threats
- Suggest suitable strategies to enable Indian IT companies to address and capture a significant share of E-Commerce market. This includes: Increased proliferation of Internet
- Achieving a leadership position in E-Commerce technologies and infrastructure market; and
- Developing state-of-the-art E-Commerce enabling and access infrastructure in India

The software exports sector registered a growth of 29% in rupee terms and 23% in dollar terms over revenues of Rs. 28,350 crores (US\$ 6.23 billion) in 2000-01. The domestic software market has grown by 16% in rupee terms and 12% in dollar terms over revenues of Rs. 9,890/- crore (US\$2.17 billion) in 2000-01. To understand the significant trends that are emerging in the Indian software and services sector at a micro-level, NASSCOM's annual survey covered 2,800 companies. This included Indian software companies, Indian product and service companies, mid-sized and small software companies, third-party Indian ITES providers, Multinational Software companies and leading Captive Remote Services companies.

## SOFTWARE EXPORTS GREW BY 29 PER CENT

The growth in software services exports has been at a healthy 29% during a difficult year for many industries. The growth engine of exports this year has been the ITES sector, which grew at a stupendous 67% while IT

Services grew at 22%. NASSCOM's annual industry survey revealed that the Top 20 Indian software companies accounted for 48% of the total software and service exports. The MNC segment emerged as an important contributor to the total software and services export revenue with a share of 27%. This included a share of 22% in IT services and 45% in IT Enabled Services. The interesting trend seen during the year was the tremendous growth in offshore delivery. Billing through offshore increased by 64% to Rs. 18,000 crore in the year 2001-2002 from Rs.10,950 crore in the year 2000-2001. In comparison to this, onsite billings increased by 7% from Rs. 15,900 crore in 2000-2001 to Rs. 17,000 crore in 2001-2002. As per the NASSCOM survey the onsite offshore ratio of Indian software and service exports is now at 50:50. A few year back, onsite exports accounted for almost 80% of India's total software and services exports.

### **TRENDS IN SERVICE LINES AND VERTICALS IN IT SERVICE COMPANIES**

NASSCOM's annual industry survey reveals consolidation and growth in existing service lines and encouraging growth in new service lines during 2001-02. Custom Application Development and Maintenance increased from Rs. 11,375 crore (US\$2.5 billion) to Rs. 12,588 crore (US\$2.65 billion) in 2001-02 and Application outsourcing grew from Rs. 7737 crore (US\$1.7 billion) to Rs. 8,788 crore (US\$1.85 billion). Similarly packaged software installation and support increased from Rs. 910 crore (US\$ 0.2 billion) to Rs. 1,425 crore (US\$ 0.3 billion) during 2001-02.

### **SOFTWARE EXPORT DESTINATIONS**

Out of the total software exports of Rs 36,500 crore during 2001-02, almost 63% was to the Americas (USA, Canada and Latin America); 26% to Europe; 4% to Japan; and 7% to Rest of the World. USA continues to be India's largest export destination for more than a decade. Currently, more than 270 Indian companies have set up offices, subsidiaries and marketing alliances in USA. An interesting trend in 2001-02 was the increase in software and services exports to USA despite the slowdown in the US economy.

As per the NASSCOM survey, 2001-02 also saw Indian companies actively expanding into emerging markets such as Europe and Asia. Exports to Europe saw an increase of 2% from 24% in 2000-01 to 26% in 2001-02.

### **ITES AS A GROWTH DRIVER**

The NASSCOM annual industry survey shows that ITES has been the growth engine for the exports sector in 2001-02. The ITES sector grew at a rate of 67% this year contributing to about 20% of the total software and service exports.

The survey reveals that in terms of ITES Service lines, Customer care, emerged as the most important with 103 companies working in this area. The other important service lines included Web sales and Web marketing, Billing services and Accounting transaction.

The ITES sector has shown tremendous growth during the last year and is turning out to be the second pillar of the Indian IT export revolution. However, there are some unique issues facing the industry in terms of infrastructure, labour regulations, quality and manpower, which need to be addressed to maintain the growth trajectory.

Nasscom also conducted India's first ever city wise survey on the ITES sector covering 310 companies. The survey revealed that:

- The average number of employees in the ITES sector is 190 but the range is huge and varies from as low as 4 people to as many as 16,000 people
- The encouraging trend in this area is the presence of MNC Captive units that account for 45% of the industry and are a vital determinant of the long-term competitiveness of India in this sector.
- Amongst the cities representing the ITES sector, the National Capital Region (NCR) has emerged as the largest with 53 companies based in this region. Mumbai comes second with 45 companies and Bangalore and Chennai are at fourth place with 35 companies each.

### **DOMESTIC SOFTWARE MARKET**

The NASSCOM annual industry survey reveals that the domestic software industry clocked a revenue of Rs. 11,500 crore in 2001-2002 as compared to Rs. 9,890 crore in 2000-2001. The domestic industry growth rates declined in 2001-2002 to 16% from 30% in 2000-2001. As per the NASSCOM survey, there are a number of opportunities emerging in the domestic sector, which will help catalyze growth in the next 23 years. These include the Energy sector, Insurance, Financial and Banking Services, Egovernance and the Manufacturing sector. In the energy sector, de-regulation will drive spend on ERP and SCM. Further, with the privatization of the power sector, spending on IT to improve productivity will get an impetus. In the Banking and Financial Service sector, the need for nation-wide connectivity and the imperative to improve customer access will

provide opportunities for IT. Also the emergence of new Insurance companies will lead to increased IT spending.

For e-governance, the major thrust this year will be in the area of local language applications and application integration. This is in keeping with the second stage of e-governance implementation in the states where the networks are in place.

Further, with the recovery of the manufacturing sector and other traditional sectors on the anvil, organizations will start using IT outsourcing in order to increase productivity.

### **OUTLOOK FOR FY03**

NASSCOM's annual industry survey estimates that the total size of the Indian software services industry for the Financial Year 2002-2003 is expected to be Rs. 60,700 crores (US\$ 12.3 billion). Additionally, IT Services exports is expected to grow by 22% to Rs.35,800 crore and ITES exports is expected to grow by 65% to Rs. 11,700 crore. The domestic market is expected to grow to Rs. 13,200 crore in the Financial Year 2002-2003.

### **The Product/Service**

CIL has the following products/services to offer:

- Comprehensive software products/services tailor-made for customer specific needs. The company offers services such as re-engineering, turnkey software development, systems migrations, on-site consulting, on-site or remote software maintenance services.
- Providing business-to-business e-commerce solutions including intranet and Internet services.
- Providing Typesetting and Medical Transcriptions services to various clients

### **Location advantages:**

#### **Hyderabad:**

Over the last few years Hyderabad has made for itself a reputation as the reference point for all critical software development activity in India. The propensity to agglomerate by the software industry in the city has been accelerated by many factors. Foremost amongst them has been the unstinting support of the state government to all computer related activity in the state, followed by the fast developing infrastructure support by the center, and the quantum of incentives given to the software industry, both by the state and the center.

### **Marketing Strategy –**

CIL have a channel partnership program through which plans to reach the end clients pretty fast including hospitals, insurance companies, clearing houses and so on. As part of this program CIL is tying up with various IT marketing companies based in US for selling our products. This model is making us reduce our marketing overheads and maximize our revenues.

It's a well-known fact that marketing costs are pretty high specifically to penetrate into highly competitive global markets like US. Hence we adapted this strategy of partnering with product marketing firms. These marketing firms are in turn allowed to tie up with other channel partners on their own as long as they abide by the terms of partnership agreement with us. This chain of channel partners forms a web of huge marketing network and makes it easy & faster to reach the end clients.

Reselling and license agreements and also the revenue sharing agreements bind every channel partner. The percentage of revenues that Chakkilam gets is always same irrespective of the channel partner who reaches the actual end client in the entire marketing chain. Needless to say that the share of revenues we get is always the lion's share in each sale.

### **On Pricing (USP) -**

HIPAA compliance and continuity through software means involves basic deployment of our product(s) and customizing it to suit the end user environment. This model basically can be called as solution rather than just product as it involves human effort & service in making product(s) work at customer site.

Hence we are positioning ourselves as complete HIPAA solution vendors rather than just selling off the shelf products. As a result our pricing model also is structured to contain -

- Base price for the each HIPAA product and
- Cost of Service for customizing the products to suit end user environment.
- Cost for maintaining the end solution after the warranty period.

Since our products are web based solutions we plan to charge on per user basis for the basic software and put a minimum limit of 5 to 10 users for getting the basic sale done. For the effort involved in customizing the software and implementing it on site we can go for number of man hours required and charge per man-hour.

As part of sale we also offer one-year software maintenance free and after that customer needs to enter into annual maintenance contract (AMC) with us for which (s) he will be charged. Basic factors for the charge would be number of issues raised or number of calls to support team or flat rate (based on first one year issue traffic).

### **Projections -**

Sales projections depend on the speed at which we capture the market and make the first dent. Picture looks very rosy right now and numbers vary in the ranges of couple of millions to 100+ million this year.

### **Competitors -**

Currently we see only three major competitors to the product. One is "HIPAA Fast Track" deals with Privacy regulation alone from company called HipaaAccelerator Inc, another is "hipaaAccelerator" from Sybase and third is hipaaExclerator from Siemens. There are other smaller products like Disclosure Log, HIPAARx etc. which cater to few basic functionality of what we have like assessment questionnaire, tracking PHI disclosure, initiate notices etc . All of them are pricing based on the customer and customization required.

Being based in US, these companies are quoting very big numbers like \$100K to a million for the base products and charging additionally for the services rendered.

Since our production center is in India we are able to cut down our production overheads and bring down our pricing model to very attractive numbers, which can be easily, be met even by low budget hospitals.

### **PRODUCTS MARKETING**

CIL plans to further focus its marketing efforts primarily in the US, while maintaining a skeletal presence in the domestic segment. The marketing and distribution activities, to achieve our revenue objectives, would be scaled up significantly by additional partnerships and further addition of marketing resources in the US.

The company's business model focuses on offering cost-effective solutions to specific industry verticals in the US by combining significant off-shore development resources and onsite architecting and project management skills has yielded nominal results during the recent past year in spite of the industry's general downturn. This approach has added value consistently to the existing customers and also helped it to move up the value chain as a company with limited software products and reduced its dependency, almost to a negligible value, on professional services.

The company has also entered into an agreement / MOU with E-com Support Center, Jacksonville, USA, Healthtec, Antioch, USA. HIPAA IG, Inc., Maryland, USA., and Cambridge Outsourcing, USA.

### **SWOT ANALYSIS OF INDIAN SOFTWARE INDUSTRY**

The following SWOT is as per company's own estimates.

### **STRENGTHS:**

- Directors are skilled professionals with extensive IT experience.
- The Directors have good contacts with local and international clientele.
- Financially sound promoters.
- The Company has well-trained and experienced professionals.
- The Company practices good Human Resource Policies.
- Location ideally suitable for international and domestic operations.
- Good infrastructure and communication facilities to undertake offshore development.
- Overseas marketing tie-up to ensure full-fledged capacity utilization.

**WEAKNESSES:**

- Dependence on Technical Manpower.
- Company is new to International Markets.

**OPPORTUNITIES:**

- Large Market potential is existing in the industry especially in the areas of E-commerce, GIS etc.,
- Support from the Government.
- Highly skilled manpower available (except in the areas of ecommerce) at lower costs compared to the Western Countries.
- Advantage of English speaking professionals.

**THREATS:**

- Rate of obsolescence is very high, due to constantly changing technologies.
- The industry is dependent on Government Policies.
- Changes in thrust areas may change.
- Non-availability of sophisticated and high-end hardware and software.
- Competition from within India and overseas.

**Project Implementation Schedule:**

Particulars	Commencement	Completion
Product Development & Marketing	March 2004	April 2004
Plant & Machinery	May 2004	June 2004
Installation of Equipment	June 2004	July 2004
Foreign Branch in USA	September 2004	October 2004

**STOCK MARKET DATA**

As the shares of the Company are yet to be listed on any Stock Exchange, no quotations for the Market Price of its shares are available.

**BASIS FOR OFFER PRICE****Quantitative factors**

The ratios used in the quantitative analysis for the purpose of justification of issue price are based on the Auditors' Report as set out in the Part II of the Prospectus.

**1. Earning per Share (EPS)**

	Year	EPS (Rs.)	Weights Used
A	2000-01	0.44	1
B	2001-02	0.87	2
C	2002-03	1.05	3
Weighted Avg. EPS (Rs.)		0.88	

Weighted Average for last three years: Rs. 0.88

EPS represents basic Earnings per share = Profit After Tax but before extraordinary items for the year divided by the number of equity shares at the end of the fiscal year.

**2. Price Earnings Ratio (P/E Ratio) in relation to the Offer price of Rs. 10/- per share**

Based on Wtd. Avg. EPS	11.36
------------------------	-------

**3. Industry P/E Ratio**

Highest	220.00
Lowest	6.40
Composite Average	65.7

\*Source: Capital Markets Volume XVIII/16, October 13-28, 2003. (Computer Software –Medium/ Small)

**4. The P/E ratios of some of the companies in the same industry group (Software Products) are as follows:****Company P/E ratio**

Subex Systems Ltd	18.90
Cranes Software	14.90
Visual Soft Technologies	13.40

\*Source: Capital Markets Volume XVIII/16, October 13-28, 2003.

**5. Return on Net-worth**

	Year	RONW (%)	Weights used	
A	2000-01	4.18	1	4.18
B	2001-02	7.67	2	15.34
C	2002-03	8.86	3	26.58
			6	
<b>Wtd. Avg RONW (%)</b>				<b>7.68%</b>

- ❖ Weighted average for the last three years:
- ❖ Minimum return on Total Net worth after offer needed to maintain Weighted Average EPS of Rs 0.88 is 7.78%

**6. NET ASSET VALUE (NAV) PER SHARE**

As on 31/03/2003 (Rs.)	11.74
Post offer	11.31
Issue Price (Rs.)	10.00

**Qualitative factors:**

- ❖ Company has obtained ISO 9001: 2000 certifications.
- ❖ The Company is registered with STPI and all the benefits available to a registered unit are available to the company.
- ❖ Listing at Hyderabad Stock Exchange

**The Lead Manager believes that the issue of Equity shares are being offered at the price of Rs.10/- (Face Value) is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the Risk factors and the Financial credentials of the company including important profitability and return ratios, as set out in the Auditors Report in Part II of the Prospectus to have a more informed view about the investment proposition.**

**Accounting Ratios:**

- EPS: Profit after tax/ No. of Equity shares
- Return on Net worth: Profit after tax/Net worth x 100
- Net Asset Value: Net worth / Share Capital

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**

Comparison of significant items of income and expenditure

Rs. Lakhs

Particulars	31-03-2000	31-03-2001	31-03-2002	31-03-2003	30-11-2003
Income	20.96	154.74	311.85	325.09	239.01
<b>Total</b>	<b>20.96</b>	<b>154.74</b>	<b>311.85</b>	<b>325.09</b>	<b>239.01</b>
<b>Expenditure</b>					
Staff Cost	8.44	52.9	126.41	131.95	107.70
Other Operational Expenses	6.95	51.16	88.55	78.27	46.38
Interest & Financial Charges	0.03	0.71	7.03	5.45	3.09
Depreciation	1.84	23.88	34.88	35.72	24.31
Preliminary Expenses Written Off	0.01	0.01	0.01	0.01	
<b>Total</b>	<b>17.27</b>	<b>128.66</b>	<b>256.88</b>	<b>251.4</b>	<b>181.48</b>
Net Profit Before Tax	3.69	26.08	54.97	73.69	57.53
Tax		0.83	4.78	2.96	2.31
Net Profit After Tax	3.69	25.25	50.19	70.73	55.22
Prior Period Adjustments	-	0.51	-	-	
Deferred Income Tax Provision	-	-	-	2.60	1.53
Profit after Deferred Tax Liability	-	-	-	68.13	68.13
Balance brought forward	3.69	28.43	78.62	78.62	111.60
Transitional Provision for Cumulative Deferred Income Tax Liability	-	-	-	35.15	
Balance carried forward	-	-	-	111.60	165.28

\* The Company started its commercial operations in the year 1999-2000.

**Comparison of significant items of income for the year over previous year**

It may be noted that it is not possible to compare the significant items of income for the year over the previous year. Hence necessary disclosures could not be made.

**Unusual or Infrequent transactions**

There have been no unusual or infrequent transactions in the Company.

**Significant economic changes**

The overall policy outlook of the Government towards the software industry has been positive. The setting up of the Software Technology Parks of India, under the Department of Electronics, offering tax incentives and removing bottlenecks, reflects this. In addition, the general application of Information Technology (Software & Hardware) in the Indian corporate and the household sectors has also increased rapidly. The company does not foresee any policy change that will adversely affect the performance of the Company.

**Known Trends or Uncertainties**

Annual Growth Rate of the Indian software industry has been tremendously increasing. This trend is expected to continue considering the importance accorded to software industry by the Government and the increasing application of Information Technology in the corporate and the household sectors.

**Future relationship between Costs & Revenues**

The trend of decreasing costs in the computer hardware industry is likely to positively affect the income/ profit levels of the Company. However, this positive impact may be offset partly by the increasing levels of manpower costs.

**Analysis of Sales Growth**

The company is yet to commence commercial operations. Hence it is not possible to present analysis of Sales Growth.

**Market / Industry trends**

There has been tremendous growth rate in the Indian software industry. The company believes that the same trend will continue in the years to come.

**New Products / Research & Development**

The company will undertake projects in the widely accepted Internet Technology and consultancy services to the various clients across the globe.

**Seasonality**

The Software Industry is non-seasonal in nature.

**Competitive Conditions**

The company will undertake projects in the high-end latest technologies and consultancy in the domestic as well as overseas markets. The Company, in this process, faces competition from other companies engaged in Software development and consultancy services.

**INVESTOR GREIVANCES AND REDRESSAL SYSTEM**

The Registrar to the Issue will handle investor's grievances pertaining to this Issue namely M/s. **AARTHI CONSULTANTS (P) LIMITED** fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the Registrars to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors in respect of the complaints, if any, to be received, shall adhere to the following schedules.

<b>SR. NO.</b>	<b>NATURE OF COMPLAINT</b>	<b>TIME TAKEN</b>
1	Non receipt of the refund warrants or Share Certificate	Within 7 days of receipt of complaint, subject to production of satisfactory evidence
2	Change of address notification	Within 7 days of receipt of information
3	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint and other relevant details.

The Company has appointed Mr. Madhu Sudhan Reddy V, Compliance Officer who would directly deal with SEBI officer with respect to implementation of various laws, rules, regulations and other directives Issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre Issue/post Issue related problems. The Compliance officer will be available at the registered office of the Company.

**COMPANIES UNDER THE SAME MANAGEMENT**

There are no Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

**LITIGATION/DISPUTES/DEFAULTS/CRIMINAL CASES**

- a) There are no Pending litigation's in which the promoters are involved, no defaults to the financial institutions/banks, no non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and no arrears on cumulative preference shares by the promoters and the companies/firms promoted by the promoters.
- b) Further, there are no cases of pending litigations, defaults, etc. in respect of companies/firms/ventures with which the promoters were associated in the past but are no longer associated.
- c) I) there are no litigations against the company or against any other company whose outcome could have a materially adverse effect on the position of the company.  
ii) Further, there are no other litigations against the promoter or directors involving violation of statutory regulations or criminal offence

- d) i) There are no pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters.
- ii) There are no past cases in which penalties were imposed by the concerned authorities.
- e) There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) .
- f) There are no pending litigations, defaults, no non payment of statutory dues, proceedings initiated for economic offences/Civil offences, no disciplinary action has been taken by the Board/ stock exchanges against the company/Promoters and their other business ventures (irrespective of the fact whether they fall under the purview of Sec 370 (1B) of the Company's Act, 1956) / Directors.
- g) The company does not owe any sum to small-scale undertaking(s) or any other creditors.

**THE DIRECTORS OF THE COMPANY HEREBY STATE THAT IN THEIR OPINION THERE IS NO MATERIAL DEVELOPMENT AFTER THE DATE OF THE LAST FINANCIAL STATEMENTS DISCLOSED IN THE PROSPECTUS WHICH IS LIKELY TO MATERIALLY AND ADVERSELY AFFECT OR IS LIKELY TO AFFECT THE TRADING OR PROFITABILITY OF THE COMPANY OR THE VALUE OF ITS ASSETS, OR ITS ABILITY TO PAY ITS LIABILITIES WITHIN THE NEXT TWELVE MONTHS.**

#### **ADVERSE EVENTS**

There has been no adverse event affecting the operations of the Company occurring within one year prior to the date of filing of the Prospectus with the Registrar of Companies.

#### **DEFAULTS**

The Company has not defaulted in meeting any statutory dues, institutional dues or bank dues. The Company has not defaulted in making any payment/refunds for debentures, fixed deposits and interest on debentures and fixed deposits.

#### **RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF**

The investors should consider the following risk factors carefully in evaluating the Company and its business before making any investment decision. This Prospectus contains forward-looking statements that involve risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "continue", "plan", "likely" or other similar words. None of the Company, the Lead Manager or their respective affiliates has any obligation to update or otherwise revise any statements to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

#### **SPECIFIC TO THE PROJECT**

##### **1. Risk envisaged by management**

The Cost of the Project and the Means of Finance have not been appraised by any bank/financial institution and are based on the Company's own estimates.

##### **Proposal To Address The Risk**

The Management of the Company has drawn out a business plan for the activities to be pursued in the Software Technology and Development. The Company believes that it has professional expertise to assess the Cost of Project and implement the same.

##### **2. Risk envisaged by management**

The working capital requirement has not been assessed by any Bankers.

##### **Proposal To Address The Risk:**

Since the company is not availing any working capital facilities, any Bank or Financial Institution does not assess the same.

##### **3. Risk envisaged by management**

The deployment of funds collected through this issue will be at the sole discretion of the management of the company.

**Proposal To Address The Risk:**

The company has drawn out the business plan for which the project Cost and Means of Finance has been arrived and accordingly the funds would be deployed.

**4. Risk envisaged by management**

This being the first Major venture of the promoters, the project suffers from all risks associated with such ventures.

**Proposal To Address The Risk:**

The Company is in operation since 1998 and the promoters have gained experience in its line of business and implementation of the projects.

**5. Risk envisaged by management**

The proposed cost of the project includes Rs. 25.00 lacs towards foreign branch. This estimate is not approved by any bank or any other financial institution, but is based on company's own estimate.

**INTERNAL TO THE ISSUER COMPANY**

**1. Risk envisaged by management**

The Company is promoted by first generation entrepreneurs and is a relatively new entrant into the software field.

**Proposal To Address The Risk:**

The Board of the Company comprises of Professionals drawn from computer software fields and possesses commendable experience. The senior management of the Company also possesses the requisite experience in the software industry. The Company has also appointed experienced and talented staff in middle and lower levels of management.

**2. Risk envisaged by management**

Non-fulfillment of export obligation in accordance with the stipulations imposed as part of STPI registration may have an adverse impact on the company's financials.

**Proposal To Address The Risk:**

The Company does not foresee any difficulty in achieving the export obligations, since it has overseas market tie-ups, which has been disclosed on page no. 11 of this document.

**3. Risk envisaged by management**

TTI Chakkilam Typesetting Pvt. Ltd. and the Company is engaged in the similar business relating to Type setting

**Proposal To Address The Risk:**

TTI Chakkilam Typesetting is into the business of e-publishing and it gets its business basically from TTI Typesetting Inc., U.S.A. , whereas the Issuer, Chakkilam Infotech Limited, is in software development, GIS & CAD IT enabled services etc., and sources its business from all over the world.

**4. Risk envisaged by management**

The Company does not have any quality certification for the IT enabled services being undertaken.

**Proposal To Address The Risk:**

The company has obtained ISO 9001-2000 certificate for the product it has developed and the company on the basis of preset quality standards mentioned in the contract obtains the BPO services orders.

**5. Risk envisaged by management**

The company is yet to get its premises registered in its name.

**Proposal To Address The Risk:**

The Vendor has obtained necessary clearances from the Income Tax Department and now the company is in the process of registering the premises in its name.

**6. Risk envisaged by management**

The Company's success depends upon senior management personnel. Loss of such management personnel could have a materially adverse impact on the business and financial performance of the Company.

**Proposal To Address The Risk:**

The Company has well laid HR policies. The Company is providing perquisites, incentives and various facilities, which are competitive in the industry. The Company has drawn-out Employee Stock Option plans to reward key performers.

**7. Risk envisaged by management**

The Company bought premises for Software Development Division from Smt C Durga, who is the wife of Director/ Promoter, Mr. C. Sudhakar and another from Chakkilam Constructions Pvt. Ltd., which is one of the group Companies.

**Proposal To Address The Risk:**

The properties were located at strategic market locations and the Company acquired them at the prevailing market rates.

**8. Risk envisaged by management**

The company's present activity involves transmission of data through Internet. Security issue poses a risk factor.

**Proposal To Address The Risk:**

The data transmission through Internet is through FTP code and hence, no security risk is involved.

**9. Risk envisaged by management**

Selection, recruitment and retention of skilled high quality manpower are crucial for the success of the Company.

**Proposal To Address The Risk:**

The Company has recruited certain key personnel and will be recruiting other key personnel at required time since it is not difficult to get skilled manpower at Hyderabad.

**10. Risk envisaged by management**

The company has entered into an agreement with KR Softnet System Limited on 17-8-2001 for software development and marketing of software projects. So far no progress has been made by KR Softnet System Limited towards achieving any of the objects mentioned in the Business Agreement.

**11. Risk envisaged by Management**

**The Products developed by the Company are not Copy Right protected**

**Proposal to Address to the Risk:**

The Company is engaged in providing Software and Hardware Solutions to its clients and has not marketed the solutions as products to any other customers. However in the event of marketing any solutions as products suitable action will be taken for protection by registering the copyright

**12. Risk envisaged by Management**

Company's operations involve transmission of data through Internet and there is a risk of security in such transmission

**Proposal to Address to the Risk:**

Although there exists risk of security in the transmission of data, the company is confident of combating the same with latest technologies

**13. Risk envisaged by Management**

There are no standard valuation methodologies or accounting practices in the emerging internet/media related industries. The financial of the issuer is not comparable with the players in the industry.

**Proposal to Address to the Risk:**

The Company has followed consistent standard of accounting practices, which are being and audited by statutory auditors

**14. Risk envisaged by Management**

The company is dependent on few customers for its business, which may have material adverse effect on it.

**Proposal to Address to the Risk:**

The Company has started identifying the key areas of market and to have better market potential to increase customer base

**15. Risk envisaged by Management**

The valuations in the Software/ IT Industry are presently high and may not be sustained in future and may also not be reflective of future valuation for the industry.

**Proposal to Address to the Risk:**

The Government of India has identified software Industry as a major thrust area for Exports and incentives are being provided to encourage this industry. Hence it is very unlikely that the Government would initiate any policy, which could be detrimental to the growth of this sector. Further, changes in custom duty structure will not have a significant impact on the company since the company has a natural hedge against foreign exchange fluctuations, to the extent of earning in foreign currency

**16. Risk envisaged by Management**

The Company has not earmarked the office space, its type and people who will be posted at international offices.

**Proposal to Address to the Risk:**

The Company has plans to set up International offices at US. The Company is not foreseeing any difficulty in taking office spaces on lease in the said Countries. The company has discussed the opportunities for people in international offices. Most of these people are local residents of US and they are gainfully employed at present. They have seen our product, understand our technology and believe there is opportunity for these products in the said regions. When the funding is completed the company will make offers to suitable and appropriate candidates.

**17. Risk envisaged by Management**

The promoters have no prior experience in the proposed project. The entire project has to depend on the Key management personnel and the Company may suffer due to the lack availability or turnover of key management personnel.

**Proposal to Address to the Risk:**

The Hipaa product concept is a new concept and it is taking shape recently and also promoters and key managerial personnel are highly skilled and experienced and having decade experience in this sector. Hence, the issuer company doesn't foresee any problems in future.

**18. Risk envisaged by Management**

For the Financial year ended 31<sup>st</sup> March 2003, the total turn over of Rs.325.09 lacs, out of that the company has receivables of Rs. 276.09 lacs, which are outstanding.

**Proposal to Address to the Risk:**

The issuer Company has made efforts to realize the outstanding receivables and have received commitments from some of the Customers.

**19. Risk envisaged by Management**

The issuer company has taken necessary quotations and not yet made any orders

**Proposal to Address to the Risk:**

Since, the issuer Company has taken necessary quotations and has finalized the supplier and the supplier has

confirmed to issuer company, once the orders taken place, within a week's time will arrange the machinery. The issuer company does not foresee any problem.

## **EXTERNAL AND BEYOND THE CONTROL OF ISSUER COMPANY**

### **1. Risk envisaged by management**

Any adverse change in government policies in relation to software industry may affect the performance and profitability of the Company.

#### **Proposal To Address The Risk:**

Government of India has identified software industry as a thrust area and incentives are being provided to encourage the industry. Hence the Company does not foresee any adverse policy changes in the near future that could be detrimental to its growth.

### **2. Risk envisaged by management**

The IT industry is prone to high risk of technological obsolescence.

#### **Proposal To Address The Risk**

The company has geared up to face the rapid changes in technology under the guidance of the Board from time to time.

### **3. Risk envisaged by management**

The Company may face competition from established Companies and future entrants in the industry.

#### **Proposal To Address The Risk:**

We consider ourselves as different from regular software Development Company since we are mainly focused into product development catering to very niche areas like HIPAA, health care, banking and financial services. We produce generic solutions, which can be customized to end user needs. Also traditionally, the Indian IT sector has shied away from product development and keeping out of this august circle. Through our consistent implementation of ISO policies & procedures we are confident of facing competition on the global products scenario and create waves! Also our time tested solutions and our successful track record with international clients will see us through the competition and make us beyond the reach of new entrants

### **4. Risk envisaged by management**

Any fluctuation in the Foreign Exchange rates may have an impact on the financials of the Company.

#### **Proposal To Address The Risk**

Since the company is 100% EOU registered with STPI and all its revenues to be in foreign exchange, the fluctuation of exchange rate shall and mutually be balanced thereby.

### **5. Risk envisaged by management**

Software Companies basically dealing with medical transcription, web related software development etc., are increasing in number substantially. The number of companies who are planning to enter this field or are in various stages in setting up is quite large and accurate information is not available. If all these projects materialise, there is a chance for supply outstripping demand resulting in closure of weaker units and consolidation by merger and acquisition.

#### **Proposal To Address The Risk**

Issuer Company with high degree of commitment to deliver quality solutions on time. Issuer Company ISO 9001:2000 certified for our work in the fields of product development and IT enabled services and mainly focused in high value, global products marketplace catering to very niche areas including HIPAA, health care, banking and e Publishing, GIS/CAD services. Issuer Company provides solutions of world-class standards, which can be customized to end user needs. Since there aren't many players in this august circle we hope to create impact and steer through the stiff competition. Due to our consistent implementation of ISO policies & procedures we are confident of emerging as major player on the global products scenario and succeed in realizing our Return on Investment (ROI) quickly.

**6. Risk envisaged by management**

The Company's performance would be effected by the industrial slump and overall economic slow-down in the short term.

**Proposal To Address The Risk**

To start with if we go by recent market surveys and NASSCOM news lines BPO and software sectors are ever growing and India is at advantage of becoming world's IT hub. Hence we don't see such risk in the near future. Even otherwise since we are diversified into many different areas of IT we don't see any major risk due to industrial slump. Also because we are catering to the needs of both domestic and international markets, we are confident of generating good revenues through either software products or services even in case of economic slow down

**7. Risk envisaged by Management**

The Company's future success depends on achieving continuously evolving international quality standards.

**Proposal to Address to the Risk:**

We are committed to deliver quality solutions meeting international standards in every sphere of IT. As part of our ISO quality policy we continuously evolve our procedures and practices to improve quality standards in every project we execute & deliver.

**PART II****A. GENERAL INFORMATION:****CONSENTS**

Consents in writing of the Directors, Auditors, Lead Managers to the Issue, Registrars to the Issue to act in their respective capacities have been obtained and filed with the Registrar of Companies, Andhra Pradesh, at Hyderabad as required under section 60 of the Act, and none of them have withdrawn the said consents upto the time of delivery of a copy of this Prospectus for Registration with the said Registrar of Companies, Andhra Pradesh at Hyderabad.

M/s. P. MURALI & Co., Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which appears in this Prospectus and also of the tax-benefits accruing to the company and to the members of the company and such consent and report have not been withdrawn upto the time of delivery of this Prospectus for Registration with the Registrar of Companies, Andhra Pradesh.

**EXPERT OPINION**

Save as stated elsewhere in the Prospectus, the Company has not obtained any expert opinions.

**CHANGES IN BOARD OF DIRECTORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

*The following changes in the Board of Directors have taken place within the past 3 years till the date of issue of Offer Document.*

<b>Name</b>	<b>Date of Appointment</b>	<b>Date of Cessation</b>	<b>Reasons</b>
C.V.Subrahmanyam	27-08-1998	-----	Appointed as Director
C.Sudhakar	27-08-1998	-----	Appointed as Director
B. Prabhakar Arthur	27-08-1998	-----	Appointed as Director
P.S. Vasantha	27-08-1998	02-09-2000	Resigned
Willam Juluis Taylor	01-03-2000	-----	Appointed as Director
Jagadish Bisa	01-03-2000	04-07-2002	Resigned
T. Sridhar	01-03-2000	04-07-2002	Resigned
Terrence J. Leifheit	02-09-2000	-----	Appointed as Director
M.N. Nambiar	02-09-2000	01-10-2003	Resigned
P. Vikram	18-11-2003	-----	Appointed as Director
K. Srinivasa Rao	18-11-2003	-----	Appointed as Director
K. Nageswara Rao	18-11-2003	-----	Appointed as Director
K. Subba Rao	01-12-2003	-----	Appointed as Director

**CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

**No Changes in the Auditors in the last three years:**

**AUTHORITY FOR THE ISSUE**

The Issue has been authorised by a Special Resolution passed, pursuant to Section 81(1A) of the Act, at the Extraordinary General Meeting of the Members of the Company held on 18-07-2003.

**PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT AND ISSUE OF SHARE CERTIFICATES**

The Company reserves at its sole, absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any application in whole or in part. In case a application is rejected in full, the whole of the application money, will be refunded to the applicant. In case application is rejected in part, the excess application money will be refunded to the applicant within 15 days of the closing of the subscription list or within 15 days of the issue closure date. The Company, will allot the equity shares within 15 days from the Issue Closing Date and shall pay interest @ 15% p.a. for the delayed period if the allotment is not made and/or the refund orders are not dispatched within 15 days form the said dates.

**UTILISATION OF ISSUE PROCEEDS**

Pending the utilisation of the Public Issue amount for the objects of the Issue, the funds would be invested in any manner as the Board may deem fit.

**DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY**

The Company shall dispatch Share Certificate(s)/ refund orders and give benefit to the Beneficiary account with Depository participants and submit the allotment and listing documents to the stock exchanges within two working days of finalisation and adoption of the basis of allotment. The company shall dispatch refund orders, if any, of value upto Rs. 1,500/-by "Under certificate of posting" and shall dispatch refund orders above Rs. 1,500, if any as well as the share certificate by Registered Post/Speed Post at the sole/first applicant's sole risk.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the securities are proposed to be listed are taken within 7 days of finalisation and adoption of the basis of allotment.

In accordance with the Act, the Stock Exchange requirements and SEBI Guidelines the Company further undertake that:

- Allotment of securities offered to the public shall be made within 15 days of the Issue Closing Date and
- Allotment of securities shall be made only in dematerialised form within 15 days of issue Closing Date.
- It shall pay interest at 15% per annum (for any delay beyond 15 days as mentioned above), if allotment has not been made and refund orders have not been dispatched to investors within 15 days from the aforesaid dates.

The Company will provide adequate funds to the Registrars to the Issue, for this purpose.

Refunds will be made by Cheques/drafts/pay orders or demand drafts drawn on a bank appointed by the Company as a refund banker and bank charges, if any, for encashing such Cheques or pay orders at other centers will be payable by the applicants. Such Cheques or Pay Order or demand draft will however be payable at par at places where the applications are received.

No receipt will be Issued for Application Money. However, the Bankers to the Issue receiving the Application Forms and Syndicate Members receiving the Application Form will acknowledge receipt by stamping and returning the acknowledgement slip at the bottom of each Form.

**INTEREST ON REFUND OF EXCESS APPLICATION MONEY**

Payment of interest @ 15% per annum on excess application money by the Company if refund orders are not dispatched within 15 days from the Issue Closing Date or as per the Guidelines Issued by the Government of India, Ministry of Finance vide their letter No. F-8/6/SE/79 dated July 21, 1983, as amended vide their letter no. F/14/SE/85 dated September 27, 1985 addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997 on the guidelines for Disclosure and Investor Protection.

**ISSUE MANAGEMENT TEAM**

<b>LEAD MANAGER TO THE ISSUE</b> <b>Aryaman Financial Services Limited</b> SEBI Regn No. – INM 000006807 #503B, Maheshwari Chambers, Somajiguda, Hyderabad-500082 Tel No: 91-40-23326989/23376046 Fax No. 91-40-23376046	<b>REGISTRARS TO THE ISSUE</b> <b>Aarthi Consultants Pvt. Ltd</b> SEBI Regn No. – INR 000000379 1-2-285, Domalguda, Hyderabad-500029. Tel. No.: 91-40- 27642217,27638111 Fax No. 91-40- 27632184
<b>AUDITORS</b> <b>P MURALI &amp; CO.,</b> Chartered Accountants 6-3-655/2/3, First Floor, Somajiguda, Hyderabad-500 082. Tel No.: 91-40-23321470, 23312554 Fax No.: 91-40-23392474	<b>BANKERS TO THE COMPANY</b> <b>Global Trust Bank Ltd</b> Secunderabad Branch, 9-1-129/1, Oxford Plaza Building, Sarojini Devi Road Secunderabad - 500003 Tel: 91-40-27704359/4935/569/0218 Fax No.: 91-40-27705898
<b>COMPANY SECRETARY CUM COMPLIANCE OFFICER</b> <b>Mr. Madhu Sudhan Reddy V</b> #6-3-456/C, Suit No(s) 106 & 107, MGR Estates, Dwarakapuri Colony, Panjagutta, Hyderabad – 500 082; <b>Tel: +91-40-23357904 &amp; 907;</b> <b>Fax: +91-40-23353980</b> <a href="mailto:madhu@chakkilaminc.com">madhu@chakkilaminc.com</a>	<b>LEGAL ADVISOR TO THE ISSUE</b> <b>V.S. Raju</b> Advocate F-3 2nd Floor Rd No 1 Gayatri Apartments Banjarahills Hyderabad 500 034 Tel No: 91-40-23397154
<b>BANKERS TO THE ISSUE</b> <b>Global Trust Bank Ltd</b> Secunderabad Branch, 9-1-129/1, Oxford Plaza Building, Sarojini Devi Road Secunderabad – 500003 Tel No: 91-40-27704359/4935/569/0218 Fax No.: 91-40-27705898	<b>Andhra Bank</b> No: 90, Anna Pillai, Sowcarpet Branch, Chennai – 600079 Tel. No: +91-44-25224260/5405

**CREDIT RATING**

Since the present Issue is of Equity Shares, credit rating is not required.

**TRUSTEES**

Since the present Issue is of Equity Shares, appointment of Trustees is not required.

**UNDERWRITING**

The present issue of the equity shares is not underwritten.

**B. FINANCIAL INFORMATION****AUDITORS' REPORT**

To  
The Board of Directors,  
CHAKKILAM INFOTECH LIMITED,  
6-3-456/C, Suit No. 106 & 107,  
MGR Estates, Dwarakapuri Colony,  
Panjagutta,  
Hyderabad - 500 082.

**Dear Sir,**

We have examined the books of accounts of M/s Chakkilam Infotech Limited, for the preceding financial years 31-03-2000, 31-03-2001, 31-03-2002, 31-03-2003 and 30.11.2003 being the last date upto, which the accounts have been made and audited by us for presentation to the members.

**PROFIT & LOSS ACCOUNT**

In accordance with the requirement of Clause B (1) & (3) of Part II of schedule II to the Companies Act, 1956. We report that the Profit of the Company for the following years is set out below. These profits have been arrived at after charging all expenses including depreciation such adjustments and regroupings as are, in our opinion are appropriate and are subject to the notes given below:

**STATEMENT OF ASSETS AND LIABILITIES****ASSETS & LIABILITIES**

The Assets and Liabilities of the Company for the Financial year ended 31-03-2000, 31-03-2001, 31-03-2002, 31-03-2003 and 30.11.2003, which is the last date upto, which the accounts of the company have been made and audited, subject to the notes given below:

Rs. In lakhs

Particulars	31-03-2000	31-03-2001	31-03-2002	31-03-2003	30-11-2003
<b>Fixed Assets:</b>					
Gross Block	45.42	548.36	591.02	596.18	596.66
Less: Depreciation	1.84	25.72	60.59	96.32	120.63
Net Block	43.58	522.64	530.43	499.86	476.03
Less: Revaluation Reserve	-	-	-	-	-
Net Block after adjustment for	43.58	522.64	530.43	499.86	476.04
Revaluation Reserve	-	-	-	-	-
Product Development Expenses	-	-	-	41.21	41.21
<b>Current Assets, Loans &amp; Advances</b>					
Sundry Debtors	10.45	73.57	91.14	276.09	482.45
Cash & Bank Balances	93.59	16.57	11.92	1.18	0.87
Loans & Advances	13.14	82.98	75.81	91.74	96.86
Pre-operative Expenses	10.44	28.62	-	-	-
<b>Total</b>	<b>171.20</b>	<b>724.38</b>	<b>709.30</b>	<b>910.08</b>	<b>1097.42</b>
<b>Current Liabilities &amp; Provisions</b>					
Secured Loans	-	-	43.11	23.51	60.71
Unsecured Loans	-	25.00	-	-	91.93
Creditors for Capital Goods		83.26	0.66	-	-
Current Liabilities & Provisions	4.00	11.78	10.99	30.59	33.57
Deferred Income Tax Liability	-	-	-	37.75	39.29

<b>Net Worth</b>	167.20	604.34	654.54	818.23	<b>871.92</b>
<b>Total</b>	<b>171.20</b>	<b>724.38</b>	<b>709.30</b>	<b>910.08</b>	<b>1097.42</b>
<b>Represented By</b>					
Share Capital	<b>113.61</b>	<b>576.00</b>	<b>576.00</b>	<b>696.70</b>	<b>696.70</b>
Share Application Money	50.00	-	-	-	-
Reserves	3.69	28.43	78.62	121.60	<b>175.29</b>
Less: Revaluation Reserve	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	3.69	28.43	78.62	121.60	<b>175.29</b>
Less: Preliminary Expenses Written Off	0.10	0.09	0.08	0.07	<b>0.07</b>
<b>Net Worth</b>	<b>167.20</b>	<b>604.34</b>	<b>654.54</b>	<b>818.23</b>	<b>871.92</b>

**PROFIT AND LOSS ACCOUNT**

Rs. Lakhs.

Particulars	31-03-2000	31-03-2001	31-03-2002	31-03-2003	30-11-2003
Income	20.96	154.74	311.85	325.09	239.02
<b>Total</b>	<b>20.96</b>	<b>154.74</b>	<b>311.85</b>	<b>325.09</b>	<b>239.02</b>
<b>Expenditure</b>					
Staff Cost	8.44	52.9	126.41	131.95	107.70
Other Operational Expenses	6.95	51.16	88.55	78.27	46.39
Interest & Financial Charges	0.03	0.71	7.03	5.45	3.09
Depreciation	1.84	23.88	34.88	35.72	24.31
Preliminary Expenses Written Off	0.01	0.01	0.01	0.01	0.01
<b>Total</b>	<b>17.27</b>	<b>128.66</b>	<b>256.88</b>	<b>251.4</b>	<b>181.49</b>
Net Profit Before Tax	3.69	26.08	54.97	73.69	57.53
Tax		0.83	4.78	2.96	2.31
Net Profit After Tax	3.69	25.25	50.19	70.73	55.22
Prior Period Adjustments	-	0.51	-	-	-
Deferred Income Tax Provision	-	-	-	2.60	1.54
Profit after Deferred Tax Liability	-	-	-	68.13	53.68
Balance brought forward	3.69	28.43	78.62	78.62	111.61
Transitional Provision for Cumulative Deferred Income Tax Liability	-	-	-	35.15	-
Balance carried forward				111.60	165.29

\* The Company started its commercial operations in the year 1999-2000.

**The Details of the Sundry Debtors are as under:**

Particulars	As on 31.03.2003	As on 30.11.2003
Debts exceeding over a period of 6 months	24,65,566	2,62,25,316
Others	2,51,43,764	2,20,20,041
<b>TOTAL</b>	<b>2,76,09,330</b>	<b>4,82,45,357</b>

## **SECURED LOAN**

### **Main terms and conditions of Additional Working Capital Term Loan of Rs.50.00 Lacs sanctioned by Andhra Pradesh State Finance Corporation [APSFC]**

Purpose	: Working capital term loan
Method of repayment	: 32 monthly installments excluding holiday period of 4 months
Date of Sanction	: 02.08.2003
Rate of interest	:15.50%
Security	: Third party collateral security i.e. Open plots valued Rs. 110 lacs
Guarantors	: Personal Guarantee pf Promoter director viz. Mr. C.V.Subramanyam, C. Sudhakar and Mr. B. P.Arthur

## **NOTES**

### **1. SHARE CAPITAL**

#### **AUTHORISED:**

Rs.12,00,00,000 divided into 1,20,00,000 equity shares of Rs 10/- each

#### **SUBSCRIBED AND PAID UP AND ALLOTTED CAPITAL:**

Rs. 6,96,70,000 dived into 69,67,000 equity shares of Rs 10 each fully paid

2. The company has not declared any dividend since its incorporation.
3. The company has not made any provision for the accruing liability for gratuity to its employees. Gratuity payable will be accounted as and when payments are made and as such the liability has not been ascertained.

Figures have been rounded off to the nearest rupee.

## **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical convention on the basis of going concern and on accrual method of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) and provisions of Companies Act, 1956 as adopted consistently by the company.

### **1 INVESTMENTS**

No investments made by the Company till the date of signing of the Audit Report

### **2 FIXED ASSETS AND DEPRECIATION**

Fixed Assets are stated at acquisition cost. Depreciation has been provision in straight-line method rates specified in the schedule XIV of the companies Act, on pro-rata basis.

### **3 PRELIMINARY EXPENSES**

Preliminary expenses have not been amortized as the statements prepared for the part of the period.

### **4 GENERAL**

Accounting policies not specifically referred to are consistent with the Generally Accepted Accounting Principles (GAAP)

#### **Dividends**

The Company has not declared dividends for the year.

#### **Bonus Issue**

The Company has not declared bonus since incorporation.

\*As Certified by the Company's Auditors M/s. P. Murali, & Co., Chartered Accountants

The following is the Tax Shelter Statement as per the Company's Auditors ( M/s. P. Murali, & Co., Chartered Accountants) Certificate dated 31-3-2003.

**TAX SHELTER STATEMENT AS AT 31ST MARCH,2003.**

	Rs. in lakhs
<b>Particulars</b>	<b>31/3/2003</b>
Tax rate (including Surcharge)	36.75%
Net profit before tax and Extra-ordinary items as per Profit & Loss Account	73.68
Tax at Notional Rate U/S 10B	2.70
Adjustments	Nil
Export Profits	Nil
Difference between Tax depreciation and Book Depreciation	Nil
Other adjustments	Nil
Net adjustments	Nil
Tax Saving thereon net adjustments	Nil
Total Taxation	2.70
Loss brought forward	Nil
Tax after loss brought forward	Nil
Tax on Book profit (mat)	0.62

**C. STATUTORY AND OTHER INFORMATION****MINIMUM SUBSCRIPTION**

**IF THE COMPANY DOES NOT RECEIVE THE MINIMUM SUBSCRIPTION OF 90% OF THE OFFERD AMOUNT PAYABLE ON APPLIATION ON THE DATE OF THE CLOSURE OF THE ISSUE OR THE SUBSCRIPTION LEVEL FALLS BELOW 90% AFTER THE CLOSURE OF THE ISSUE ON ACCOUNT OF CHEQUES HAVING BEEN RETURNED UNPAID OR WITHDRAWAL OF APPLICATIONS, THE COMPANY SHALL FORTHWITH REFUND THE ENTIRE SUBSCRIPTION AMOUNT RECEIVED. IF THERE IS A DELAY BEYOND 8 DAYS, AFTER THE COMPANY BECOMES LIABLE TO PAY THE AMOUNT, THE COMPANY SHALL PAY INTEREST AS PER SECTION 73 OF THE COMPANIES ACT, 1956".**

**EXPENSES OF THE PRESENT ISSUE**

The expenses of the present Issue includes mandatory costs such as brokerage, fees to the Lead Managers to the Issue, Registrars to the Issue, Bankers to the Issue, Legal Advisors fee, Registration, SEBI filing fees, Stamp duty etc estimated at Rs.40.00 lacs and are payable by the Company out of the proceeds of this Issue.

**FEES PAYABLE TO REGISTRARS TO THE ISSUE**

The fees of Registrars to the Issue will depend on number of applications in the public Issue; the detailed terms and conditions of the contract with the Registrar will be as set out in the offer letter duly accepted by the Company. Adequate funds will be provided to the Registrar's to the Issue by the Company for dispatch of refund Orders/allotment Letters/ Certificates by Registered post.

**FEES PAYABLE TO LEAD MANAGERS TO THE ISSUE**

The fees payable to the Lead Managers to the Issue is as set out in the Memorandum of Understanding entered into with the Company.

**BROKERAGE**

Brokerage will be paid by the Company at the rate of 1.5% on the Offer price of Equity Shares offered to the Public on the basis of allotment made against applications bearing the stamp of the members of any recognised Stock Exchanges in India in the broker's column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

**PREVIOUS PUBLIC OR RIGHTS ISSUE**

The Company has not issued any Shares or Debentures for public subscription since incorporation.

#### **ISSUE AT A PREMIUM OR DISCOUNT**

The Company has not Issued Equity Shares at a Premium or Discount except those mentioned elsewhere in this Prospectus since its incorporation.

#### **COMMISSION AND BROKERAGE ON PREVIOUS ISSUE**

Except for the brokerage payable as mentioned in this Prospectus, no sums have been paid since the date of incorporation of the company till the date of Issue of the Prospectus or are payable as commission, brokerage or discount for subscribing or agreeing to subscribe or for procuring or agreeing to procure any subscription for any shares in the company including the promoters their associates, relatives and friends.

#### **ISSUE OF SHARES OTHERWISE THAN FOR CASH**

No shares have been Issued or agreed to be Issued otherwise than for cash since its incorporation of the Company.

#### **OPTION TO SUBSCRIBE**

Except as otherwise stated in this Prospectus, the Company has not entered into, nor does it at present propose to enter into any contract or arrangements whereby any option or preferential right of any kind has been, or is proposed to be, given to any person to subscribe for any shares of the Company.

Investors have an option to either receive share Certificates or hold the Securities with Depositories.

Trading of securities upon listing shall only be in dematerialised form, although investors have an option to hold shares in the physical form or demat form.

#### **CLASSES OF SHARES**

The Company has one class of shares viz. Equity Shares of Nominal Value Rs.10/- each as on date.

#### **PURCHASE OF PROPERTY**

Save as elsewhere stated in this Prospectus and as in respect of the property purchased or acquired or proposed to be purchased or acquired under contracts referred to herein below under the heading "Material Contracts", there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of Issue of this Prospectus other than property.

- a) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the Company's business, the contract not being made in contemplation of the Issue nor the Issue in consequence of the contract.
- b) In respect of which the amount of the purchase money is not material, except as stated elsewhere in this Prospectus, the Company has not purchased any property in which its promoters and/or directors, had or have any direct or indirect interest or in respect of any payment made thereof.

#### **INTEREST OF DIRECTORS AND PROMOTERS**

All the Directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of

- a) The shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/Member respectively.
- b) The shares, if any, out of the present Issue that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors/Members of to firms in which they are partners.

#### **PAYMENT OF BENEFIT TO PROMOTERS AND OFFICERS OF THE COMPANY**

Save as stated elsewhere no amount or benefit has been paid or given to the Company's promoters or officers since the incorporation of the Company nor is intended to be paid or given to any promoter or any officer of the Company except their normal remuneration and/or reimbursement for services as Directors, Officers or Employees of the Company or otherwise in accordance with Law.

#### **Details of Directors**

The details of the Directors are as given in the earlier part of the Prospectus.

**Managing Director**

In accordance with the provisions of Sections 198, 269, 309, 310, read with schedule XIII and other applicable provisions, if any, of the companies Act, 1956 and with the approval of the shareholders at the extraordinary General Meeting held on 20-11-99, the Managing Director is drawing remuneration as follows:

**Appointed for a period of 5 Years with effect from 1<sup>st</sup> April 2000.**

**REMUNERATION:**

**Salary Rs.5, 000/- Per Month.**

**CAPITALISATION OF RESERVES**

There has been no capitalisation of reserves or profits of the Company since its incorporation.

**REDEEMABLE PREFERENCE SHARES, DEBENTURES AND OTHER INSTRUMENTS**

The company has not issued any Redeemable Preference Shares or Debentures since its incorporation.

**BONUS ISSUE & REVALUATION OF ASSETS**

The Company has not issued any Bonus Shares and has not revalued any of its assets.

**D. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION**

**SHARE AND DEBENTURE CERTIFICATES**

**Rights of certificates**

- 1) Every person whose name is entered as a member in the register shall be entitled to receive without payment:
  - a) One certificate for all his shares; or
  - b) Where the shares so allotted at any one time exceed the number of shares fixed as market lot in accordance with the usages of the Stock Exchange, at the request of the shareholder several Certificates on each per marketable lot and one for the balance.
- 2) The Company shall, within two months after the allotments of any of its shares, debentures and within the month after the application for the registration of the transfer of any such shares or debentures complete and after the certificate of all shares or debentures so allotted or transferred unless the conditions of Issue of shares or debentures otherwise provide. The expression "Transfer" for the purposes of this sub-clause, means a transfer duly stamped and otherwise valid, and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.

**Certificate to be under seal**

Every Certificate shall be under the seal of the Company and shall specify the shares or debentures to which it relate and the amount paid-up thereon.

**Certificate for joint holders**

In respect of any share or shares held jointly several persons, the Company shall not be bound to Issue more than one Certificate for the same issuance of Share Certificate to the first joint holder shall, be sufficient delivery to all such holders; subject as aforesaid, where more than one share is so held, the joint holders shall be entitled to apply jointly for the Issue of several Certificates in accordance with Article 17 above.

**Endorsement of transfer**

In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may at their discretion, direct an endorsement of the transfer and name of the transferee and other particulars on the existing share Certificate and authorise any Director or Officer of the Company to authenticate such endorsement on behalf of the Company or direct the Issue of a fresh share certificate, lieu of and in cancellation of the existing Certificate, in the name of the transferee, where there is no further space on the back thereof for making endorsement of transfer.

**Renewal of Certificate**

If a Certificate be worn out, defaced, destroyed, or lost or if there is no further space on the back thereof for endorsements of transfer, it shall, if required, be replaced by a new certificate provided however that such new certificate shall not be granted except upon delivery of the worn out or defaced or used up certificate, for the purpose advertisement and indemnity and the payment of out-of-pocket expenses as the Board may require in the case of the certificate having been defaced, destroyed or lost, provided further that no fee shall be charged for replacement of those which are old, decrepit, worn out where the cages on the reverse for recording transfers have been fully utilised. Any renewed certificates shall be marked as such.

**Splitting and consolidating of share certificate**

Any registered holder of the shares being in possession of any Share Certificate or Share Certificates for the time being may surrender such Share Certificate or Certificates to the Company and apply to the Company for the Issue of two or more fresh share certificates comprising the same bearing the same distinctive numbers as were comprised in the said certificates and in such separate lots as he may desire, in lieu of and in cancellation of such Share Certificate so surrendered, or for the consolidation of the shares comprised in such surrendered Certificates into one certificate and the directors may, in lieu of and in cancellation of Certificates so surrendered, Issue one or more such share certificates as the case may be in the name of the person or persons in whose name the original certificates stood and the new Certificates so Issued shall be delivered to the person who surrendered the original Certificates or to his order. No fee shall be charged for sub-division or consolidation of share certificates into market lots and where share certificates are Issued for either more or less than market lots, sub-division and/or consolidation should be done free of charge.

**Issue of Certificates**

Every Certificate of title to the share or shares shall be issued only in accordance with the provisions of Companies (Issue of Share Certificates) Rules, 1960, or any amendment thereof or any provision of law applicable thereto, for the time begins in force.

**CALLS ON SHARES**

**Calls**

Subject to the provisions of Section 91 of the Act the Board may, from time to time, make such calls as they think fit upon the members in respect of all money unpaid on the shares held by them respectively whether on account of the nominal value of the shares or by way of premium and not by the conditions of allotment thereof made payable at fixed times, and the members shall pay the amount of every call so made on them to the person and at the time and place appointed by the Board.

**Length of Notice of Call**

Not less than Thirty days notice of any call shall be given specifying the time and place of payment and the person to whom such payment shall be made provided that before the time for payment of such call and Board may, by notice in writing to the members, extend the time for payment thereof.

**Sums payable in fixed installments to be deemed calls**

If by the terms of Issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times whether on account of the nominal value of the share or by way of premium, every such amount or installments shall be payable as if it were a call duly made by the Board, of which due notice had been given, and all the provisions herein contained in respect of calls shall relate and apply to such amount or installment accordingly.

**When installment on calls payable**

If a sum called in respect of the shares is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at such rate of interest as the board may decide from the day appointed for payment thereof to the time of the actual payment, but the Board shall be at liberty to waive payment of that interest wholly or in part. Interest on sums payable at fixed time

The provisions of these Articles as to payment of interest shall apply in case of non-payment of any sum which, by the terms of Issue of a share, becomes payable at a fixed time, whether on account of the nominal amount of the share or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

**Payment of call in advance**

The Board may, if they think fit, receive from any member willing to advance all or any part of the moneys uncalled and unpaid upon any shares held by him and upon all or any part of the moneys so advanced may (until the same would, but for such advance become presently payable) pay interest not

less than 15% p.a., as the Board may decide, but shall not in respect of such advances confer a right to the dividend or to participate in profits or to any voting rights.

**Partial payment not to preclude forfeiture**

Neither a judgment nor a decree in favour of the Company for call or other moneys due in respect of any share, nor any part payment or satisfaction there under, nor the receipt by Company of a portion of any money which shall from time to time be due from any member in respect of any share either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such share as hereinafter provided.

**Persons by whom installments are payable**

If, by the conditions of allotment of any share, the sole or part of the amount or Issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representatives, if any.

**Liability of joint holders of shares**

The joint holders of a share or shares shall be severally as well as jointly liable for the payment of all installments and calls, interest and expenses, if any due in respect of such share or shares.

**LIEN ON SHARES**

The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (Whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that Article 20 hereof will have full effect. Unless otherwise agreed, the registration of a transfer shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provision of this Article.

**Enforcing of lien by sale**

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until the expiration of fourteen days after a notice in writing stating and emending payable has been given to the registered holder of the shares for the time being or to the person entitled to the shares by reason of the death or insolvency of the registered holder.

**Authority to transfer**

To give effect to such sale, the Board may authorise any person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

**FORFEITURE OF SHARES**

**If call or installment not paid, notice may be given**

If a member fails to pay any call or installment of a call on the day appointed for the payment thereof, the Board may, at any time thereafter and during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or interest as is unpaid, together with any interest, which may have accrued.

**From of Notice**

The Notice aforesaid shall name a further day (not earlier than the expiry of fourteen days from the date of service of the notice), on or before which the payment required by the notice is to be made and shall state that, in the event of non-payment on or before the day appointed, the shares in respect of which the call was made will be liable to be forfeited.

**If notice not complied with, shares may be forfeited**

If requirements of any such notice as aforementioned are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

**Surrender of Shares**

The Board may accept in the name and for the benefit of the Company and upon such terms and conditions as may be agreed upon, the surrender of any share liable to forfeiture and so far as the law permits of any other shares.

**Boards rights to disposal of forfeited shares or cancellation of forfeiture**

A forfeited or surrendered share may be sold or otherwise disposed of on such terms and in such manner as the Board may think fit and at any time before such sale or disposal, the forfeiture or surrender may be canceled on such terms as the Board may think fit.

**Liability after forfeiture**

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares; but shall, notwithstanding the forfeiture, remain liable to pay and shall forthwith pay to the Company all moneys, which at the date of forfeiture were presently payable by him to the Company in respect of the shares, whether such claim be barred by limitation on the date of the forfeiture or not, but his liability shall cease if and when the Company received payment in full of all such moneys in respect of the Shares.

**Declaration of forfeiture**

A duly verified declaration in writing that the declaration is a Director of the Company and that a share in the Company has been fully forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares, and that declaration and the receipt of the Company for the consideration, if any, given for the share on the sale or disposal thereof, shall continue and good title to the share and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any), nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

**Non-payment of sums payable at fixed times**

The provisions of these regulations as to forfeiture shall apply in the case of nonpayment of any sum which, by the terms of; Issue of a share, becomes payable at a fixed time, whether on account of the nominal amount of the share or by way of premium or otherwise, as if the same had been payable by virtue of a call duly made and notified.

**Transfer of Shares**

- (1) Shares in the Company shall be transferred by an instrument in writing in the form prescribed under Section 108 of the Act.
- (2) The instrument of transfer of any shares in the Company shall be executed both by and on behalf of the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the Register in respect thereof. The Instrument of transfer shall be in respect of only once class of shares.
- (3) The Board shall not register any transfer of shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and then transferee has been delivered to the Company along with the Certificate of shares to which it relates and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares.
- (4) An application for the registration of the transfer of any share or shares may be made either by the transferor or the transferee; provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee. The Company shall, unless the transferee makes objection within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the transferee made the application for registration.
- (5) For the purpose of clause (4) notice to the transferee shall be deemed to have been duly given if dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the time at which it would have been delivered in the ordinary of post.
- (6) Nothing in clause (3) shall prejudice any power of the Board to register as a shareholder any person to whom the right to any share has been transmitted by operation of law.
- (7) Nothing in this article shall prejudice the power of the Board to refuse to register the transfer of any shares to a transferee, whether a member or not.

**Transfer to infants, insolvents and persons of unsound mind**

No share shall in any circumstances be transferred to an infant, insolvent or person of unsound mind.

**Board's right to refuse to register.**

- (1) The Board may at any time in their absolute discretion and without assigning any reason decline to register any transfer of shares, whether fully paid-up or not and whether the transferee is a

member of the Company or not and may also decline to register any transfer of shares on which the Company has a lien.

- (2) If the Board refuses to register any transfer or transmission of right, they shall, within two months from the date on which the instrument of transfer or the intimation of such transmission was delivered to the Company send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.
- (3) In case of such refusal by the Board, the decision of the Board shall be subject the right of appeal conferred by Section 111 of the Act and Section 22A of Securities Contracts (Regulation) Act, 1956.
- (4) Provided that the registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever accept a lien on the shares.
- (5) The provisions of this clause shall apply to transfers of stock also.

**Endorsement of transfer and Issue of Certificate**

- (1) Every endorsement upon the certificate of any share in favour of any transferee shall be signed by the Secretary or by some other person for the time being duly authorised by the Board in that behalf. In case any transferee of a share shall apply for a new certificate in lieu of the old or existing certificate, he shall be entitled to receive a new certificate on payment of a sum of Rupee One for every such certificate of shares to which the said transfer relates and upon delivering up to be cancelled every old, or existing certificate which is to be replaced by a new one. Provided that no fee shall be charged for issuing new certificate in replacement of those, which are decrepit or worn out certificates or where cages on the reverse for recording transfers have, been fully utilised.
- (2) No fee shall be charged for transfer or transmission of shares or for registration of any Power of Attorney, Probate, letters of administration or other similar documents.

**Particulars of transfer to be entered in the register of Member**

The particulars of every transfer or transmission of any shares and all other particulars of shares shall be entered in the register of Members as required by the Act.

**Custody of Transfer Deeds**

The instrument of transfer shall, after registration, remain in the custody of the Company. The Board may cause to be destroyed all transfer deeds lying with the Company for a period of twelve years or more.

**Closure of Register of Members and Register of Debenture holders**

The Board may after giving not less than Seven days previous notice by advertisement in some newspaper circulating in the District in which the Registered Office of the Company is situated, close the Register of Members or the Register of Debenture holders for any period or periods not exceeding in aggregate forty five days in each year but not exceeding thirty days at any one time.

**Transmission of Shares**

- (1) The executors or administrators of a deceased member (not being one of several joint holder) or the holder of a succession certificate empowered thereby to receive dividends on and to negotiate any shares belonging to a deceased member, shall be the only persons recognised by the Company, as having any title to the shares registered in the name of such member. Provided that should the member be a member of a joint Hindu family, the Board on being satisfied to the effect and on being satisfied that the share standing in his name if fact belonged to the joint family may recognise the survivors or the Kartha thereof as having title to the shares registered in the name of such member; provided further that in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to indemnity or otherwise, as to the Board may seem just.
- (2) On the death of one or more joint holders of any shares, the survivors/survivor alone shall be the only persons recognised by the Company as having any title to or interest in such shares. In the event of the death of any sole holder or of the last surviving holder the executors or administrators of such or other persons legally entitled to the share of the deceased. Provided that on production of such evidence as to title and on such indemnity or other terms as the Board may deem sufficient, any person may be recognised as having title to the shares as heir or legal representative of the deceased shareholder.

Provided further that if the deceased shareholder was a member of a joint Hindu family, the Board on being satisfied that the shares standing in his name in fact belonged to the joint family, may recognise the survivors of the Kartha thereof as having title to the shares registered in the name of such member.

Provided also that in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation, upon such evidence and such terms as to indemnity or otherwise as to the Board may seem just.

- (3) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any shares, which were jointly held by him with other persons.

**Rights and liabilities of legal representatives**

- (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time be required by the Board, and subject as hereinafter provided, elect either:
- (a) To be registered himself as holder of the share:
  - (b) To make such transfer of the shares as the deceased or insolvent member could have made.
- (2) The Board shall, in either case, have the same right to decline or to suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

**Notice of election by legal representatives**

- (1) If the person so becoming entitled shall elect to be registered as holder of the share he, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- (2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (3) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.
- (4) A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share be entitled to in respect of it to exercise any right conferred by membership in relation to meetings of the Company; provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown of appearing in the Register) to the prejudice of persons having or claiming any equitable right, title or interest, to or in the same shares, and the Company shall not be bound by or required to regard or attend to, or give effect to, it any notice which may be given to of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, but the Company shall nevertheless be at liberty to have regard and attend to any such notice and give effect thereto, if the Board shall think fit.

**Secretary**

132. The Board shall have power to appoint as the Secretary a person fit in their opinion for the said office, for such period and on such terms and conditions as regards remuneration and otherwise as they may determine. The Secretary shall have such powers and duties as May, from time to time, be delegated or entrusted to him by the Directors.

**BORROWING**

**Borrowing**

133. (1) The Board of Directors may from time to time but subject to such consent of the Company in general meeting as may be required under Section 293 of the Act raise any money or any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, shall not without the sanction of the Company at a general meeting exceed the aggregate of the paid-up Capital of the Company and its free reserves, that is to say reserves not set apart for

any specific purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company, by the Issue of debentures perpetual or otherwise including debentures convertible into shares of this or any other Company or perpetual annuities, and in security of any such money so borrowed, raised or received, mortgage, pledge or charge, the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital, by special assignment or otherwise, or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.

Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount up to which the Board of Directors may borrow moneys.

- (2) The directors may by a resolution at a meeting of the Board delegates the above power to borrow money otherwise than on debentures to a committee of Directors within the limits prescribed.
- (3) Subject to the provisions of the above sub-clauses, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the purpose of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think fit, and in particular, by promissory notes, or by opening current accounts, or by receiving deposits and advances with or without security, or by the Issue of bonds, perpetual or redeemable debenture stock of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being, or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the Company or by such other means as to them may seem expedient.
- (4) Such debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be Issued.

#### **DIVIDENDS AND RESERVES**

##### **Right to Dividend**

143. (a) The profits of the Company (including capital profits) subject to any special rights relating thereto created or authorised to be created by these presents, and subject to the provisions of these presents, as to the Reserve Funds, shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively on the last day of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.
- (b) Where capital is paid up on any shares in advance of calls, upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.

##### **Reserve Funds**

147. (1) The Board may before recommending any dividend set aside out of the profits of the Company such sums as they think proper as a reserve or reserves, which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time think fit.
- (2) The Board may also carry forward any profits, which they may think prudent not to divide, without setting them aside as Reserve.

##### **Method of Payment of Dividend**

148. (1) Subject to the rights of persons if any entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid up or credited as paid up on the shares in respect where the dividend is paid.
- (2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of these regulations as paid on the share.
- (3) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is Issued on terms providing that it shall rank for dividend from a particular date such share shall rank for dividend accordingly.

##### **Deduction of Arrears**

149. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

**Adjustments of Dividends against calls**

150. Any General Meeting declaring a dividend or bonus may make a call on the members of such amount as the meeting fixes, but so that the call on each members shall not exceed the dividend or bonus payable to him and so that the call can be made payable at the same times as the dividend or bonus and the dividend or bonus may if so arranged between the Company and themselves be set off against the call.

**Payment by Cheques of Warrant**

151. (1) Any dividend, interest or other moneys payable in respect of shares may be paid by Cheques or warrant sent through the post directed to the registered address of the holder, or in the case of joint holders to the registered address that one of the joint holders who is first named in the Register of Members of to such person and to such address as the holder or the joint holders may in writing direct.  
(2) Every such Cheques or warrant shall be made payable to the order of the person to whom it is sent.  
(3) Every such Cheques or warrant shall be posted within forty-two days from the date of declaration of dividend.

**Receipt of Joint Holders**

152. Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.

**Dividends not to Bear Interest**

153. No dividend shall bear interest against the Company.

**Transfer of Shares not to Pass Prior Dividends**

154. Any transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.  
"No unclaimed dividend shall be forfeited by the Board and the Company shall comply with the Provisions of Section 205 (A) of the Act in respect of such dividend".
155. Notice of any dividend that may have been declared shall be given to the persons entitled to the concerned share in the manner mentioned in the Act.

**WINDING UP**

**Winding up**

183. Subject to the provisions of the Act as to preferential payments the assets of the Company shall on its winding up, be applied in satisfaction its liabilities *pari passu* and, subject to such application shall, unless the articles otherwise provide, be distributed among the members according to their rights and interests in the Company.

**Division of assets of the Company in specie among members**

184. If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution, divide among the contributories in specie or kind, any part of the assets of the Company, and may with the like sanction vest any part of the assets of the Company in trustees upon such trust for the benefit of the contributories or any of them as the liquidators with the like sanction shall think fit. In case any shares to be divided as aforesaid involve a liability to calls or otherwise any persons entitled under such division to any of the said shares may within ten days after the passing of the special resolution, by notice in writing, direct the liquidators to sell his proportion and pay him the net proceeds, and the liquidators shall, if practicable act accordingly.

**ISSUE OF SWEAT EQUITY SHARES/ EMPLOYEES STOCK OPTION SCHEMES:**

- 16 (a)** Subject to the provision of these Articles and in accordance with the provision of Section 79A of the Companies Act, 1956 and of various other laws governing the Issue, the Board may Issue and allot Sweat equity shares under Employees Stock Option Schemes to the person entitled thereto.

**DEMATERIALISATION OF SECURITIES**

- 23 (a)** Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities in a dematerialised form pursuant to the Depositories Act, 1996.

**Options for Investors**

Every person subscribing to securities issued by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the

securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, Issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

**Securities in depositories to be in fungible form**

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

**Rights of Depositories and Beneficial Owners**

Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

**Service of documents**

Notwithstanding anything in the Act, or these articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

**Transfer of Securities**

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of who are entered as beneficial owners in the records of a depository.

**Allotment of Securities dealt with in a depository**

Notwithstanding anything in the Act, or these articles, where a depository deals with securities, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

**Distinctive numbers of Securities held in a depository**

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities Issued by the Company shall apply to securities held with a depository.

**Register and Index of beneficial owners**

The Register and Index of beneficial owners maintained by a depository under Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles

**BUY BACK OF SHARES**

**58(a)** The Company is hereby permitted to purchase its own shares or other specified securities in accordance with the provision of Sections 77A, 77AA and 77B of the Act and such other Regulations or Guidelines framed by the Central Government or Securities & Exchange Board of India, in this regard.

**NOMINATION OF SHARES**

**55(a)** Every holder of shares in, or holder of debenture of, the company, may at any time, subject to the provision of the Section 109A of the Companies Act, 1956 nominate in the manner by the board of directors, a person in whom shares or debentures of the Company shall vest in the event of his death.

Any person who become a nominee by virtue of the provision of Section 109A may upon the production of such Evidence and no such application may be required by the board and subject to the provision of

Section 109B of the Companies Act, 1956, elect, either to be registered himself as holder of share or debenture, as the case may be or to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

## **E. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and agreements referred to in paragraph 'A' below (not being entered into the ordinary course of business carried on or intended to be carried on by the company or contracts entered into more than two years before the date of this issue document) which are or may be deemed to be material have been entered into by or on behalf of the company. Copies of these contracts together with copies of the documents referred to in Para (B) below have been attached with the Prospectus and delivered to the Registrar of Companies, Andhra Pradesh, Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company at Suit No 106 and 107,6-3-456/C, MGR Estates, Dwarakapuri Colony, Panjagutta, Hyderabad, between 10.00 a.m. And 1.00 p.m. on any working day until the date of closing of the subscription list.

### **A. MATERIAL CONTRACTS**

1. Shareholder's Resolution dated 01-04-2000 appointing Mr. C V SUBRAMANYAM as Managing Director.
2. MOU dated 12-12-2002 with Aryaman Financial Services Ltd. and their letter offering their services to act as Lead Managers to the Issue, along with consent letters and the Company's acceptance thereof.
3. Agreement dated 18-07-2002 with Aarthi Consultants Private Limited and their letter dated 18-07-2003 offering their services to act as the Registrars to the Issue and the Company's acceptance there.

### **B. DOCUMENTS FOR INSPECTION**

1. Memorandum and Articles of Association of the company
2. The Tripartite agreements have been entered between the Company, Registrar and National Securities Depository Limited on 06-02-2001 and Central Depository Services (India) limited on 22-12-2001 for offering depository option to investors.
3. Certificate of Incorporation of the Company bearing No. 30081 of Registrar of companies, Andhra Pradesh dated 03/09/1998.
4. Copies of the extra ordinary /special resolution passed by the Shareholders in their meeting held on 18-07-2003 under Section(s) 81 (1A).
5. Copy of permission from STPI, Dept. Of Electronics, Govt. of India to set up 100% EOU vide their letter No. STPH/IMSC/1999-2000/289/20282 dated 20/03/2000.
6. Copy of Agreement dated 21/03/2000 with Software Technology Park of India for Software Exports.
7. Copy of letter from file no. No.09/04/130/01135/AM00 dated 28/03/2000 Issued by Ministry of Commerce, Govt. of India granting Import-Export code no.
8. Copy of Sale Agreement dated 18/09/2000 signed by the Company with Smt C Durga for the Registered Office and Copy of Sale Agreement dated 14-09-2000 signed by the Company with Chakkilam Constructions Pvt. Ltd.
9. Copy of Rental Agreement dated 23-06-2003 between the Company and Smt P Naganandini.
10. Consents from the Directors, Lead Managers, Registrars, Bankers to the Issue, Bankers to the company, Auditors, and Company Secretary to the company to act in their respective capacities.
11. Auditors Certificate dated 04-08-2003 on tax benefits available to the Company and its members and their consent to include the same in the Prospectus.
12. Auditors certificate dated 04-08-2003 for the total expenditure incurred on the project and their consent to include the same in the Prospectus.
13. Report from Auditors of the company dated 04-08-2003 referred to in the Prospectus and their consent to include the same in the Prospectus.
14. Copies of Initial listing applications made to Stock Exchanges at Hyderabad for listing of the equity shares of the company.
15. SEBI Observations dated SRO/PMB/IMID/EIF/2003/10/1195; dated October 14, 2003 Issued by SEBI in respect of this Prospectus.
16. Copy of approval from Global Trust Bank Ltd for setting up offices in USA and GERMANY.
17. Power of Attorney from Directors in favour of Mr. C.V. SUBRAMANYAM.
18. Agreement between Chakkilam Infotech Limited and E-Com support Centres, Jacksonville, USA
19. Agreement between Chakkilam Infotech Limited and HIPAA IG Inc., Maryland, USA.
20. Agreement between Chakkilam Infotech Limited and Cambridge Outsourcing, Newbrook, USA.

- 21.** Agreement between Chakkilam Infotech Limited and HealthTech Medical Solutions Inc.(formerly known as Business Network 2001 Inc.)
- 22.** Agreement between Chakkilam Infotech Limited and TTI Typesetting Inc., Batlimore USA.
- 23.** Agreement between Chakkilam Infotech Limited and KR Softnet Systems Limited.
- 24.** Copy in principle approval from Hyderabad Stock Exchange.
- 25.** List of shareholders as on date.
- 26.** Details of Working Capital Term Loan of Rs.50.00 Lacs sanctioned by Andhra Pradesh State Finance Corporation [APSFC] dated 02.08.2003

**PART III**

**DECLARATION**

All the provisions of the act and the guidelines Issued by SEBI and the Government have been complied with and no statement made in this Prospectus is contrary to the provisions of Act and rules made there under.

We, the directors of CHAKKILAM INFOTECH LIMITED declare and confirm that no information/ material likely to have a bearing on the decision of the investors in respect of the equity shares issued in terms of the issue document has been suppressed/ withheld and / or incorporated in a manner that would amount to misstatement/ mis-representation and in the event of it transpiring at any point of time till allotment/ refund, as the case may be, that any information/material has been suppressed/ withheld and/ or amounts to mis-statement/ mis-representation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of section 63 of the Act.

The company accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisement or any other material Issued by or at the instance of the company and that any one placing reliance on any other source of information would be doing so at is own risk.

**SIGNED BY DIRECTORS**

- 1) C.V.SUBRAMANYAM
- 2) C.SUDHAKAR\*
- 3) BEZWADA PRABHAKAR ARTHUR \*
- 4) WILLIAM JULIUS TAYLOR \*
- 5) TERENCE J.LEFHEIT\*
- 6) K. NAGESWARA RAO \*
- 7) VIKRAM P\*
- 8) SRINIVASA RAO B\*
- 9) SUBBA RAO K \*

[\* By his constituted attorney Shri C.V.SUBRAMANYAM]

**Place: Hyderabad.**

**Date: 29<sup>TH</sup> December 2003**